

Los Angeles County Metropolitan Transportation Authority:

*It Is Too Early to Predict Service Sector
Success, but Opportunities for Improved
Analysis and Communication Exist*



December 2003
2002-116

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December 16, 2003

2002-116

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report concerning the Los Angeles County Metropolitan Transportation Authority's (MTA) decentralization of its bus operations into five service sectors. This report concludes that it is too early to predict service sector success, but opportunities for certain improvements exist. Before the MTA established sectors, it did not perform any cost-benefit analyses or fiscal projections, nor did it fully consider alternatives to sectors. Thus, the MTA has reduced its ability to measure the effectiveness or efficiency of its sector implementation. Despite the MTA's limited analysis, our review generally did not find negative effects associated with the MTA's decentralization of bus operations. However, the MTA is still attempting to resolve some issues affecting sectors that existed before it decentralized its operations.

Although the MTA provided training to the governance councils on their various responsibilities, the MTA has not communicated adequately with them about some pertinent issues, such as limitations that currently prevent it from calculating cost savings for sectors. Thus, it risks having governance council members form incorrect assumptions about the MTA's capabilities and becoming frustrated with the MTA's seeming lack of attention to issues the council members believe are important. Additionally, weaknesses in the methods the MTA uses to advertise governance council meetings could cause it to miss opportunities to use these meetings effectively as a means of improving community input into bus operations and tailoring services to local needs.

Respectfully submitted

ELAINE M. HOWLE
State Auditor

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SUMMARY

Audit Highlights . . .

Although it is too early to predict the success of the Los Angeles County Metropolitan Transportation Authority's (MTA) decentralization of its bus services into five service sectors, our review found the following:

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

RESULTS IN BRIEF

In fiscal year 2001–02, the Los Angeles County Metropolitan Transportation Authority (MTA) began efforts to reorganize its bus service operations, decentralizing its bus operations structure by dividing it into five service sectors responsible for overseeing and delivering bus service in Los Angeles County. MTA management believed that service sectors would draw the customer closer to the transportation provider and improve planning and operating efficiencies. Shortly after the sectors began operations, the MTA board of directors (board) approved bylaws and policies to create five governance councils with the powers to collect community input on bus service and proposed changes, as well as to provide oversight for the sectors.

Before implementing service sectors, the MTA did not perform any cost-benefit analyses or fiscal projections, nor did it fully consider alternatives to sectors. In part, MTA management's directive to quickly establish sectors reduced the staff's opportunity for analysis. Further, MTA management believed that the cost of implementing sectors would not add significantly to the MTA's total expenditures and therefore did not warrant significant fiscal analysis. MTA management believed they could mitigate a lack of analysis at the outset by conducting financial analyses as part of the ongoing budget efforts after the MTA implemented the sectors. MTA management further attempted to mitigate their limited planning efforts by creating a task force of employees, some of whom had experience working in MTA's regions—the MTA's previous attempt at decentralizing bus service—with the goal of bringing lessons learned to the process. Nevertheless, the MTA's limited analysis in planning for sectors has reduced its ability to measure the effectiveness or efficiency of its sector implementation.

Service sectors are still relatively new, so it is difficult to predict whether the sectors and governance councils ultimately will increase the efficiency of and public participation in the MTA's operations. However, our review of the sector implementation and operations generally did not find negative effects associated with the MTA's decentralization of bus operations. For example,

we were requested to determine whether the establishment of sectors had reduced the number of jobs at the MTA. We found that the total number of full-time equivalent positions (FTEs) within the MTA's transit operations increased by 229 FTEs, or 3 percent, from fiscal year 2000–01, before the service sector implementation, to the current fiscal year 2003–04.

The MTA reduced its administrative functions due to budgetary concerns at about the same time as the service sector implementation. The MTA prepared an analysis during this time to reconcile FTEs for its current fiscal year to those in the budget year as part of its budget process. However, the MTA's analysis was insufficient to demonstrate which staff were cut due to the administrative reorganization, which staff were transferred to service sectors, or which staff were moved for other reasons. Nevertheless, the implementation of service sectors, coupled with the administrative reorganization, appears to have flattened the MTA's management structure. Many division managers within the sectors stated that this has improved accountability and communication within the organization.

Although the MTA's implementation of service sectors does not appear to have caused negative effects, the MTA still is attempting to resolve issues that existed before it decentralized its operations. Specifically, the MTA lacks a way to determine cost savings and boarding data accurately at the sector level. The MTA's problems in calculating the actual amounts saved by the sectors stem from its problems in assigning support costs to the divisions or sectors that actually use these services. Moreover, the MTA's methodology for computing boarding data at the sector level is inaccurate and therefore meaningless for decision making because the smaller sample sizes do not yield statistically valid conclusions. Until the MTA resolves these issues, its sector general managers will not have an adequate measure of their efforts in achieving the MTA's goals. The MTA plans to implement a new automated passenger count system by late 2004 that it hopes will give sector general managers more accurate counts of their ridership. It also is working on addressing the problems that prevent it from calculating sector cost savings.

We found that the contracts for the three unions representing most sector employees did not change after sectors were implemented and that MTA employees still are working under the same terms as they were before sectors. Additionally, although union representatives voiced some concerns with how they

believe the MTA has changed its grievance resolution process since the implementation of sectors, we found that the MTA's process for handling grievances has not changed significantly.

Each service sector began operations before the start of its governance council. Although the MTA intentionally implemented service sectors first to start realizing their expected benefits, significant periods of time elapsed before most governance councils were established. We found several reasons for the delays. A key factor involved delays in establishing governance council policy and bylaws. Further, the process of nominating council members, which involves entities within a sector's boundaries reaching a consensus, caused delays. For example, staff in a city within one sector's boundaries stated that a delay has occurred primarily because the city did not agree with the others on the nominating board about the number of representatives it should have on the council. As of November 2003, this sector had operated without a governance council for 14 months. Nevertheless, the overall effect of delays in establishing councils appears to be minor. Although delays in council implementation could have delayed the collection of community input for service changes, we found that most sectors made reasonable attempts to conduct community meetings to provide information to the public. Further, during the time that sectors were without governance councils, the MTA board, or in one case a sector general manager with subsequent board approval, conducted public hearings required for major service changes.

Although the MTA provided training to the governance councils on their various responsibilities, it has not communicated adequately with the governance councils about some pertinent issues. Consequently, it risks having governance council members form incorrect assumptions about the MTA's capabilities and becoming frustrated with the MTA's seeming lack of attention to issues council members believe are important. For example, some council members we spoke with expressed their expectations that the MTA should return any cost savings to the sectors generating the savings. However, the MTA has limitations that currently prevent it from calculating these savings, and it has not communicated these limitations to the various governance councils. Further, the MTA board retains the final authority for making decisions regarding where savings will be spent, and it has not yet decided this issue. Because the MTA has not been

proactive in communicating its limitations about where cost savings will be spent, governance council members could perceive the MTA as ignoring issues that are important to them.

Further, the training that the MTA provided to governance council members has omitted some of the tools the governance councils will need to oversee service changes in their sectors. Specifically, the governance councils need better training in two areas that could limit their ability to make service changes: the MTA's consent decree and union contracts. Under the MTA's consent decree, an agreement the MTA entered into in response to a civil rights lawsuit brought by various plaintiffs representing bus riders, the MTA must reduce load factors (the number of passengers in relation to the number of seats on its buses) to agreed-upon ratios by year. The MTA's central scheduling department reviews service changes proposed by sectors to ensure compliance with the consent decree. Governance council members could become frustrated if they attempt to make changes and the MTA's headquarters subsequently overturns them because they violate the consent decree. Further, one of the MTA's union contracts contains provisions limiting the MTA's ability to discontinue individual bus lines to allow municipal transit operators to operate them instead. MTA is not the sole transit operator in Los Angeles County. Fixed-route transit service also is provided by more than 40 municipal transit operators. As a result of the contract provisions, governance councils face limitations in cutting some services if they expect municipal operators to pick up these lines.

One issue identified by the MTA in its planning phase for sector implementation was a need for community input. However, weaknesses in its methods of advertising governance council meetings could cause it to miss opportunities to use these meetings effectively as a means of improving community input into bus operations and tailoring services to local needs. For example, the MTA occasionally advertises monthly governance council meetings via "Metro Briefs" in local newspapers. However, MTA staff acknowledged that the MTA does not advertise the governance council meetings in these print advertisements on a monthly basis, making it difficult for the public to know how to find out when a council meeting is about to occur. Moreover, the MTA does not provide links to its monthly governance council meeting schedules on its Web pages for service sectors or for bus routes. Currently, the only avenue MTA bus riders have for determining the sector responsible for a given route is through a toll-free number

for customer service. Callers to this number must go through several steps to reach MTA staff members who can provide this information. Further, the MTA does not publish the fact that bus riders can get sector-related information through this number.

Although resolving overlapping service issues was not a goal when the MTA developed sectors, we found that the creation of service sectors seems to have improved some coordination activities between the MTA and municipal transit operators. Further, although the Los Angeles County Regional Short-Range Transit Plan for 2003 to 2007 found that some overlap in service is necessary, it also reported that much of the duplication that does occur between transit operators results in lower productivity for one or more lines.

The issue of duplicative service is a longstanding problem that predates service sectors, and the MTA plans to address this issue by comprehensively reorganizing bus services in Los Angeles County by June 2006. The MTA only recently started its planning efforts for this reorganization and has not yet invited municipal transit operators to participate directly in its initial planning process. Additionally, the MTA's proposed scope of work for its consultant indicates that it plans to gather municipal operators' input through an indirect process. If the MTA does not effectively introduce municipal operators' views by allowing them to participate directly in the planning process, it risks formulating a plan that will not receive sufficient buy-in from municipal operators, which could be detrimental to the future success of this new network.

RECOMMENDATIONS

The MTA should ensure that it plans for future projects adequately by conducting sufficient analysis. Specifically, the MTA should consider conducting cost-benefit analyses, fiscal projections, and analyses of alternatives when implementing major changes or programs.

To ensure that the sectors have the tools they need to manage their performance, the MTA should continue its efforts to track all costs associated with sector operations and to identify the actual savings generated. Further, the MTA should continue its efforts to improve its computation of boarding data.

To alleviate concerns and prevent conflicts between the governance councils and the MTA, the MTA needs to clearly define and communicate to the governance councils all the information they need to accomplish their goals, including information on limitations related to the MTA's problems in calculating actual sector savings, as well as information on the consent decree and union contracts.

To ensure that bus riders have access to information on governance councils and sectors, the MTA should ensure that it uses appropriate and sufficient means of communicating this information. For example, the MTA should consider adding information about bus routes and their corresponding sectors to its service sector and bus route Web pages, and it should also consider adding information about its governance council meetings to these Web pages. Further, it should consider regularly advertising the meetings in newspapers.

Finally, the MTA should continue its planned efforts to focus on eliminating duplicative routes to the extent possible. Specifically, the MTA should allow stakeholders, such as municipal transit operators, to participate directly in the planning process.

AGENCY COMMENTS

The MTA states that it appreciates that our recommendations are aligned with its intent to continue to attain its objectives in facilitating community-based bus services. ■

INTRODUCTION

BACKGROUND

The Los Angeles County Metropolitan Transportation Authority (MTA) was established in 1993 by state law as the result of the merger of the Los Angeles County Transportation Commission and the Southern California Rapid Transit District. The MTA serves as the planner, coordinator, and operator of the public transportation system for Los Angeles County. It uses a variety of means—bus, light rail, and heavy rail—to meet the transit needs of Los Angeles County’s population. The MTA’s primary activities in providing transit services include the following:

- Operation of the second-largest bus system in the United States, providing more than 88 million vehicle service miles annually to an average of 1.1 million passengers per day.
- Operation of three light rail lines and one heavy rail line carrying more than 200,000 passengers per day.
- Administration of funds for all Los Angeles County transit providers.
- Development and construction of Metro Rapid¹ bus lines and fixed lanes for the exclusive use of buses and multipassenger vehicles.
- Rail construction.
- Promotion of the use of public transit services and rideshare programs.

The MTA board of directors consists of the following:

- Five members of the Los Angeles County Board of Supervisors.
- The mayor of the city of Los Angeles and three appointees (two public members and one member of the Los Angeles City Council).
- Four members appointed by the Los Angeles County City Selection Committee.
- One nonvoting member appointed by the governor.

Source: Public Utilities Code.

The MTA is governed by a board of directors (board) whose 14 members are appointed by various groups (see the text box). The board establishes policies and authorizes MTA appropriations. The chief executive officer reports directly to the board and

¹ Metro Rapid is the MTA’s express bus service, which uses low-floor buses, signal priority at intersections, streamlined on-street boarding and unloading of passengers, and improved bus stop spacing at planned stations.

manages MTA operations. Among other tasks, the chief executive officer directs and oversees MTA system operations, regional transportation planning, and programming functions.

Falling under the chief executive officer's purview is the MTA's metro operations unit, which provides transit services. The cost of these transit services makes up a large portion of the MTA's total expenditures—in fiscal year 2001–02, expenditures for bus capital and operating expenses were almost \$927 million, or 42 percent of all MTA expenditures. The metro operations unit employs more than 7,500 people in a broad range of technical specialties and services, ranging from bus operators and mechanics to system engineers and safety inspectors.

MTA BUS OPERATIONS

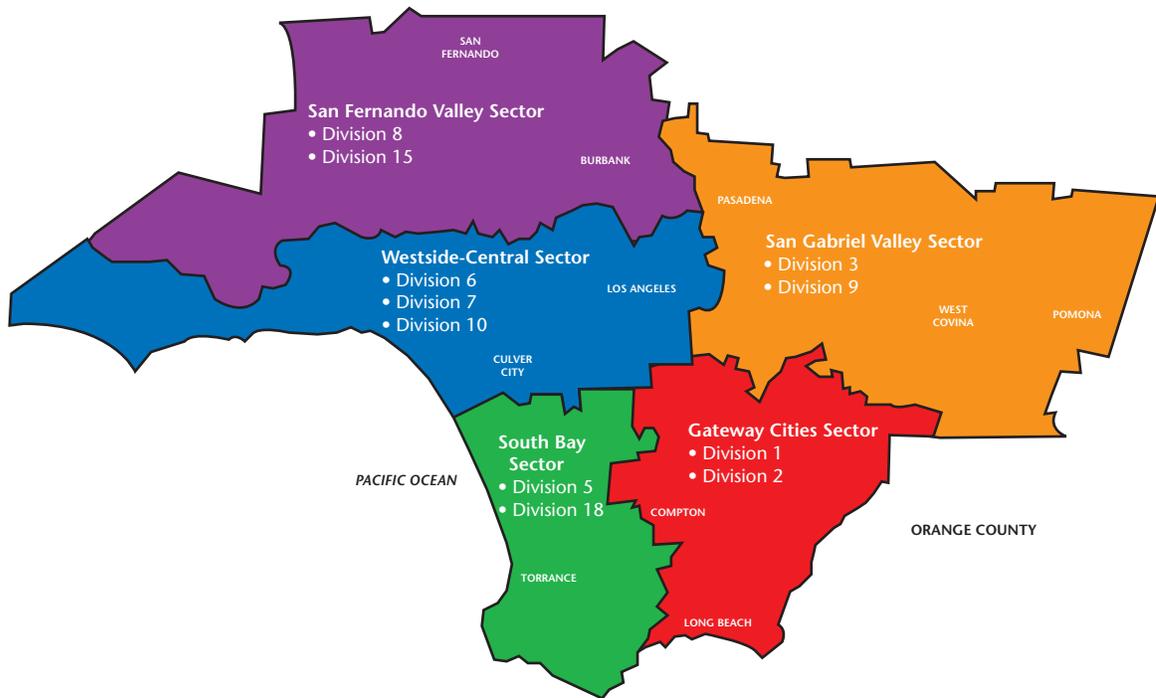
The MTA divides its bus operations into two distinct levels: service sectors and bus operating divisions. Its five service sectors are based on geographic areas, existing bus routes, and its 11 existing bus operating divisions. Each sector is managed by a sector general manager who is responsible for overseeing the delivery, monitoring, safety, and performance of all bus service operated by the divisions assigned to each sector. Figure 1 shows the boundaries of the five service sectors as well as the bus operating divisions assigned to each sector.

Each sector general manager oversees 25 to 46 bus routes and two or three bus operating divisions. Bus operating divisions are specific centralized locations that house transportation and maintenance functions for a particular area. The MTA splits the operations of the 11 bus operating divisions into transportation and maintenance functions. A manager heads each function at each division. These managers are responsible for the day-to-day operations of their areas: transportation managers carry out schedules and manage bus operators, while maintenance managers oversee the equipment maintenance activities of their divisions.

Although each sector general manager reports to the deputy chief executive officer at MTA headquarters, sector general managers also receive direction from their sector governance councils. Governance councils consist of up to nine members of the community, who live or work within the sector's boundaries. Members can be elected officials or private citizens; however, at least 50 percent of the council members must be users of

FIGURE 1

Map of MTA Service Area and Five Service Sectors' Boundaries



Source: MTA Web page and service sector task force report.

Note: The MTA has 11 bus divisions as shown in the map. Because the MTA has closed some divisions and has dedicated others to support functions, the division numbers are not sequential.

transit services. Governance councils oversee the planning and implementation of service within their sectors; their specific responsibilities include the following:

- Approving the sector general manager's budget proposal for the chief executive officer's consideration and recommendation to the board.
- Calling and conducting public hearings for sector bus lines.
- Approving and evaluating sector programs.
- Implementing service changes and ensuring that they comply with the MTA's policies, procedures, and legal agreements, such as its collective bargaining agreements and consent decree.

All MTA bus routes² are subject to its consent decree. In October 1996, the MTA entered into a consent decree with several plaintiffs representing transit-dependent bus riders in Los Angeles County (including the Labor/Community Strategy Center and the Bus Riders Union), agreeing to make improvements to its bus operations to alleviate overcrowding. The MTA entered into the consent decree in response to a civil rights lawsuit brought by the plaintiffs. The lawsuit alleged that, among other things, the MTA's failure to alleviate overcrowding on buses and its disproportionate focus on rail services represented discriminatory actions against minorities in violation of the Civil Rights Act of 1964 and the 14th Amendment to the U.S. Constitution. The consent decree requires the MTA to reduce the load factor (the number of passengers in relation to the number of seats on its buses) to certain targets and to expand bus service improvements by adding additional buses. As of June 2002, the MTA estimated that it had spent almost \$621 million to comply with consent decree provisions, and it expects that by the end of the consent decree's 10-year term, in November 2006, it will have spent more than \$1 billion.

The MTA is not the sole transit operator in Los Angeles County. Fixed-route transit service in Los Angeles County also is provided by more than 40 different municipal transit operators, ranging in size from the city of Baldwin Park with six vehicles and two routes, to the Los Angeles Department of Transportation, with more than 300 vehicles and about 50 routes. Additionally, according to the MTA's 2001 Long-Range Transportation Plan, more than 190 private agencies and organizations in Los Angeles County provide trips to persons with disabilities. Although the MTA uses buses that are equipped to provide wheelchair access in accordance with the federal Americans with Disabilities Act of 1990, a nonprofit corporation provides and coordinates complementary paratransit transportation services throughout Los Angeles County on behalf of the MTA. Paratransit services, which are not confined to fixed routes, provide flexible transportation services for people with disabilities in compliance with the Americans with Disabilities Act of 1990. The MTA provides the local resources needed to match the federal funds that the paratransit services provider receives.

² As of November 2003, 187 bus routes exist.

RECENT CHANGES TO THE MTA ORGANIZATION

Beginning in 1996, the MTA decentralized its bus operations by dividing its service area into four regions, each consisting of three bus operating divisions.³ It assigned to each region a manager who was responsible for overseeing operations for that region's three divisions. However, various issues negatively affected regional operations. Regional managers did not have oversight or control of support functions such as scheduling, budgeting, or performance reporting. According to MTA management, the regional program devolved quickly into one that had little real control but a lot of accountability for resolving customer complaints and service failures. By 1998, all bus operations were centralized once again.

Seeking to improve public transportation, and concerned that the MTA was too large and not responsive to local issues, two groups took steps to form transit zones. In 2000, the city of Los Angeles joined several San Fernando Valley cities, including Burbank, Glendale, and San Fernando, in an interim joint powers authority (interim authority). Similarly, in 2001, the San Gabriel Valley Council of Governments recommended that a nine-city area and unincorporated communities form an interim authority to explore creating a San Gabriel Valley Transportation zone. These two groups planned to use transit zones to provide more efficient and effective governing and management structures for transit operations in their geographic areas. Essentially, the transit zones would carve service out of the MTA into new transit agencies. The MTA required the interim authorities to meet certain requirements before forming transit zones, including a provision that the groups wishing to form zones demonstrate an ability to provide service at a lower cost than the MTA. However, legislation enacted in September 2000 stalled the initiatives. The legislation provided that the groups wishing to form zones would not have to demonstrate that they could operate at a lower cost. Instead, they would have to demonstrate that they would not increase the net cost of providing service. However, the legislation added requirements that hampered the groups' abilities to demonstrate this. Specifically, the zones were required to honor the MTA's current collective bargaining agreements. Further, the zones were to be considered the same as the MTA for the purposes of negotiating new agreements for a period of four years, so they would be unable to enter into separate agreements with unions.

³ At that time, the MTA had 12 operating divisions. It closed one division in July 1997, leaving 11 active divisions as of November 2003.

Meanwhile, MTA management had identified several concerns with its organizational structure and believed that it was too large to address operational issues adequately and to allow for community input into service changes. MTA management attempted to address these issues, as well as those raised by the interim authorities, by again decentralizing MTA bus operations. In November 2001, two months after the MTA's present chief executive officer began work, MTA management formed a task force to begin planning for decentralizing bus operations into five service sectors. In part, MTA management believed that service sectors would draw the customer closer to the transportation provider and improve planning and operating efficiencies.

As shown in Figure 2, the MTA implemented service sectors fairly quickly. The first planning meetings for service sectors began in November 2001, and two of the five sectors—San Fernando Valley and San Gabriel Valley—had begun operations by July 2002. The remaining three sectors—Gateway Cities, South Bay, and Westside-Central—began operations in September 2002.

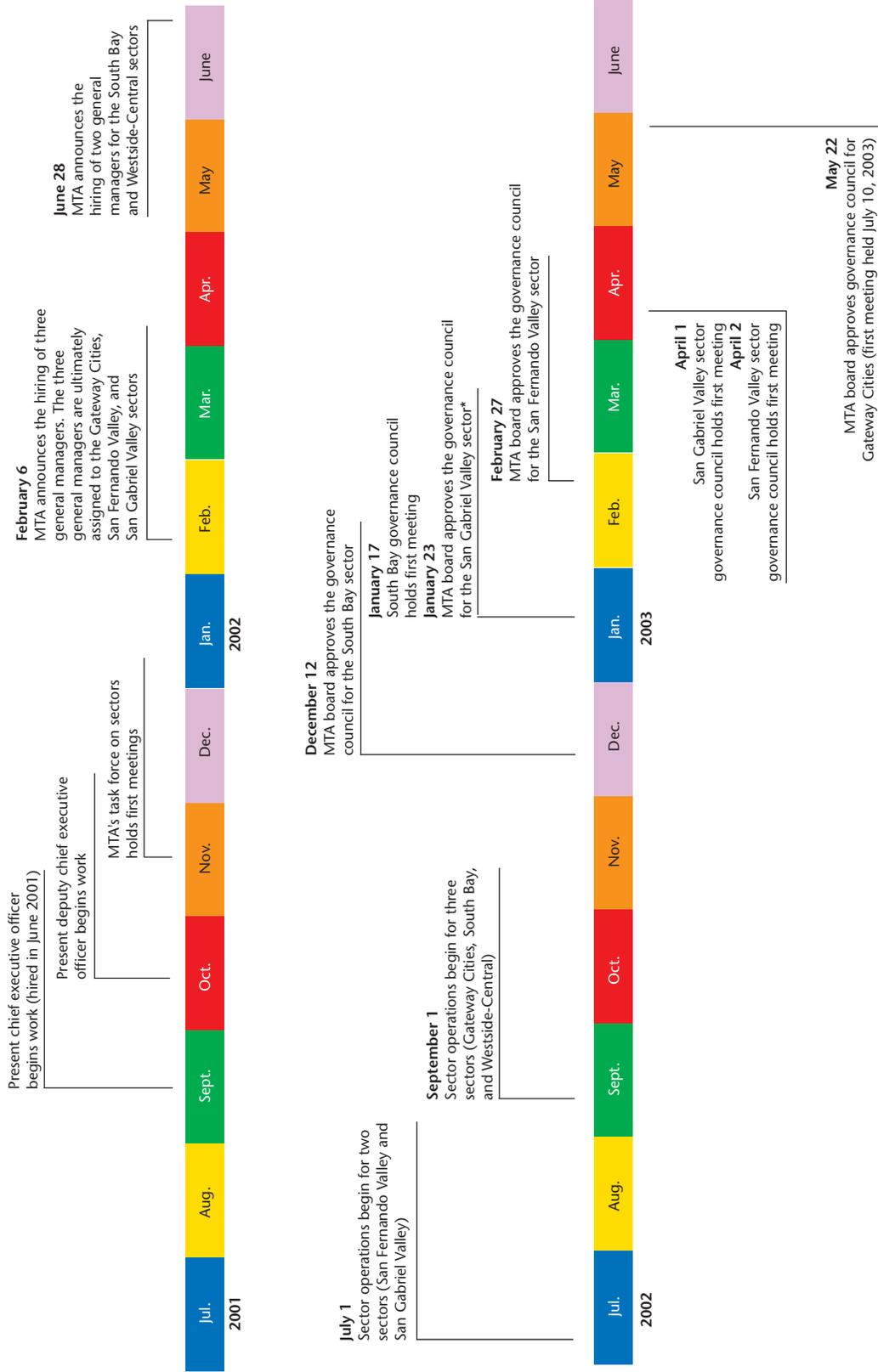
At the same time that service sectors were created, the board formed a special subcommittee to develop plans for sector governance councils. In creating governance councils, the board wanted to provide oversight for sectors, with the purpose of improving bus service within each sector. The board created an ad hoc service sector committee that met in 2002, developing bylaws and policies for the governance councils. The board approved these bylaws and policies in September 2002. Local nominating bodies within each sector boundary then submitted nominations of council members for board approval. The board approved the first council, for the South Bay sector, in December 2002. As of November 2003, the board had approved councils for four of the five sectors. Westside-Central does not yet have a governance council.

SCOPE AND METHODOLOGY

The Joint Legislative Audit Committee (audit committee) requested that we review the MTA's decentralization of bus operations in the Los Angeles region into service sectors. The audit committee specifically requested that we assess the MTA's fiscal projections or cost-benefit analyses to determine whether service sectors will reduce or add costs. Additionally, we were asked to examine the effect of service sectors on, among other

FIGURE 2

**MTA Timeline of Significant Events for Service Sector Reorganization
July 2001 Through June 2003**



Source: MTA board minutes, MTA press releases.

Note: The MTA board has yet to approve a governance council for the Westside-Central sector as of November 2003, 14 months after this sector began operations.

* The MTA board approved seven of the nine council members for the San Gabriel Valley sector on this date. The remaining two members were approved on February 27, 2003.

items, the MTA's management structure, job composition, and services. The audit committee also requested that we identify any effects arising from the MTA's decision to implement service sectors before the governance councils were in place. Finally, the audit committee requested that we review the potential for overlapping services in those areas where municipalities provide transit services.

To assess the MTA's analyses, including any fiscal projections or cost-benefit analyses it used to plan for service sectors, we requested that the MTA provide us with any fiscal projections or cost-benefit analyses it performed. We also interviewed MTA management to obtain the MTA's rationale for not performing various analyses. Further, we reviewed the presentations prepared by each of the MTA's departments at the request of the service sector task force and evaluated the MTA's planning document created by this task force.

We attempted to compare and analyze total operating and administrative expenditures before and after the establishment of service sectors to determine whether any increases or decreases were attributable to service sector implementation or operations. However, as of mid-November 2003, or more than four months after the end of the fiscal year, the MTA was unable to provide actual expenditure data for sectors or divisions for the first year of sector operations—fiscal year 2002–03. Management stated that the MTA has been delayed in finalizing the financial information for fiscal year 2002–03 because of the impact of a labor strike that began in mid-October 2003. This lack of data also prevented us from analyzing the MTA's actual cost per vehicle service hour to determine whether this cost had increased. We wanted to review this cost to determine if it had increased because, according to MTA management, one of the MTA's objectives for the fiscal year 2002–03 budget was to implement sectors with no increase in the cost per vehicle service hour to operate bus services. Lacking final data, however, we were unable to analyze the MTA's costs.

To determine the effect that service sectors have had on the MTA's management structure and to find out whether the MTA planned to remove positions and keep the same level of service, we held discussions with MTA headquarters staff, sector general managers, and division managers. Further, we reviewed and compared organization charts for the MTA before and after the creation of service sectors and the MTA's administrative reorganization. To evaluate the effects of the sector implementation on job

composition and to determine the number of jobs created or lost, we compared total budgeted full-time equivalent positions (FTEs) for fiscal year 2000–01, the year before the administrative reorganization began, to fiscal year 2003–04, the current year. We further broke down FTEs into union versus nonunion employees to determine whether the sector implementation and administrative reorganization disproportionately affected one group over another. We did this in part because nonunion employees lack some of the protections guaranteed to union employees through contracts.

To identify any other significant issues that may affect the affordability, reliability, and safe delivery of bus services under service sectors, we evaluated key performance indicators for sectors and divisions to determine how the reorganization has reduced or enhanced the MTA's ability to maintain and provide bus services. In doing so, we evaluated performance data collected by the MTA on divisions within the sectors and assessed any overall trends in reliability, affordability, and safe delivery measured by these data. Further, we evaluated the MTA's consent decree to determine its impact on the sectors' ability to deliver services. We held discussions with MTA staff responsible for overseeing consent decree compliance as well as staff for a plaintiff representing bus riders involved in the consent decree.

To determine the effects of the MTA's reorganization on labor contracts, we reviewed the MTA's current labor contracts for the three unions representing most MTA sector employees and verified that these have not changed since sectors began operations. We also held discussions with MTA's labor relations staff and with representatives from the three labor unions.

To determine the effect that service sectors have had on the paratransit funding mechanism, an area that we were specifically asked to review, we obtained an understanding of the MTA's process for providing grant funding to the paratransit services provider for Los Angeles County. Further, we held discussions with the paratransit services provider to determine the sectors' effect on paratransit operations. We also evaluated the MTA's grant agreements with the paratransit services provider before and after the establishment of service sectors to determine whether the service sector implementation has changed paratransit funding. Based on our evaluation, we found that paratransit funding and operations have not changed because of service sectors. Grants provided by the MTA for paratransit funding actually increased by \$10.4 million, or 20 percent,

from fiscal years 2001–02 to 2003–04 because of an increased demand for these services—the number of paratransit service users increased by 20 percent annually during this time. Thus, we performed no further work in this area.

To determine the effect of implementing service sectors before governance councils were in place, we reviewed the governance council bylaws and policies established by the board. Further, we held discussions with MTA management and staff responsible for creating service sectors, as well as with the governance council chairs or vice-chairs and sector general managers. We also reviewed governance council minutes and compared the actions taken and items reviewed by the governance councils to actions taken by the board.

To determine whether the MTA's process for selecting and approving governance council members caused delays in the establishment of the councils, we reviewed the MTA's process and spoke to staff at the MTA. Further, we interviewed governance council chairs or vice-chairs to gain their perspectives on the process.

To review the MTA's efforts at preparing governance councils to help achieve the MTA's goals, we reviewed the training and orientation documents provided by the MTA to governance council members. Moreover, we reviewed the MTA's efforts at performing community outreach and its advertisement of sectors to the general public to determine whether the MTA had taken actions to improve its collection of community input.

To review the potential for overlapping services in those areas where municipalities provide transit services, we held discussions with staff from five large municipal operators in Los Angeles County: Foothill Transit, Long Beach Transit, Los Angeles Department of Transportation, Santa Monica Municipal Bus Lines (Big Blue Bus), and Torrance Transit. We requested from the MTA any policies or procedures it has that address overlapping services or the elimination of duplicative services. Further, we inquired about the MTA's future plans for restructuring the bus network in Los Angeles County to determine how it plans to address overlapping or duplicative services. ■

CHAPTER 1

Limited Planning and Delays in Appointing Governance Councils Do Not Appear to Have Had Negative Effects on Bus Operations

CHAPTER SUMMARY

In creating service sectors, the Los Angeles County Metropolitan Transportation Authority (MTA) performed limited planning and analysis to determine the effects that sectors would have on the MTA's bus operations. Its new executive management team wanted to revitalize MTA bus operations quickly and to bring more local control and input to the MTA's provision of bus services. Consequently, MTA management gave staff a short time period to develop and implement the service sectors.

Although management asserts that the relatively low expected cost of implementing and operating service sectors did not warrant extensive financial analysis, this lack of initial analysis has hampered the MTA's ability to measure the success of its service sector implementation. The MTA attempted to mitigate the effects of its limited planning efforts by creating a service sector task force composed in part of MTA employees who had prior experience working in regions, the MTA's previous attempt at decentralizing bus operations. The MTA's mitigation efforts, however, did not resolve its limitations in demonstrating that it implemented and is operating sectors as effectively or efficiently as possible.

Although sectors are still relatively new and it is difficult to measure some of their specific effects because of the MTA's limited analysis, our review of MTA bus operations generally did not find negative effects arising from the establishment of service sectors. Nevertheless, some of the MTA's preexisting issues have resulted in problems for sectors—the MTA has problems calculating actual amounts saved by sectors and it lacks accurate boarding data for divisions and sectors. The MTA is working to rectify these issues, however, and expects to resolve them over the next few years.

Finally, the MTA intentionally implemented service sectors before establishing their governance councils to realize the benefits of a decentralized operation quickly. However, significant periods of time elapsed before most governance councils were established. Various factors, including the MTA's board of directors' (board) process for delegating some of its duties to the governance councils and the governance council nomination process, caused the delays. Although MTA staff cited some negative effects arising from the delays, these effects do not appear to be significant; nor do they appear to have hampered the MTA's potential to ultimately achieve the goals of service sectors and governance councils.

THE MTA DID NOT PERFORM EXTENSIVE ANALYSIS AND PLANNING BEFORE ESTABLISHING SECTORS

The MTA did not conduct any cost-benefit analyses or fiscal projections of sector implementation, nor did it fully consider the feasibility of alternatives before establishing service sectors. Management asserted that extensive financial analysis was not warranted because, in part, they believe the MTA performs sufficient financial measurement as part of the annual budget process. The MTA, however, could have made a more concerted effort to conduct these analyses. Because it did not complete these analyses before it established sectors, the MTA's ability to demonstrate that it implemented sectors as effectively or efficiently as possible is limited.

During the sector creation process, the MTA limited its analysis of the impacts of sectors on bus operations to a draft plan that lacked any financial analysis.

During the sector creation process, the MTA limited its analysis of the impacts of sectors on bus operations to a draft plan that it compiled in March 2002 detailing its vision and goals for service sectors. However, this plan lacked any financial analysis. Thus, before embarking on its sector implementation, the MTA did not develop any estimates as to what the costs of establishing and operating sectors would be and did not establish a baseline that it later could use to determine whether its actual costs met its expectations. At the board's request, MTA staff subsequently reported one-time implementation costs as well as estimated annual ongoing incremental, or additional, costs expected because of sectors. However, staff did not complete this analysis until February 2003, about seven months after the first sectors began operations.

In its February 2003 analysis, the MTA identified one-time expenditures related to service sector implementation from April 2002 to January 2003 of \$3.8 million. Additionally, it estimated that ongoing annual incremental costs related to service sectors would be almost \$2.7 million per year. Further, as we discuss later, the MTA engaged in an administrative reorganization at about the same time that it implemented service sectors. The analysis indicated the administrative reorganization would result in estimated annual savings of more than \$4 million. However, the MTA did not retain sufficient documentation to identify the pertinent detailed supporting records. Additionally, the MTA was unable to recreate this information because of the unavailability of staff due to a labor strike that occurred during the fieldwork stage of our audit. Thus, we were unable to verify the amounts reported by the MTA.

Although we were not able to verify the amounts reported, we note that the MTA's estimate of annual incremental costs may not be complete. Specifically, although \$2.1 million of the almost \$2.7 million represented the additional costs related to 25 new positions added to the sectors, the MTA's estimate did not include costs related to any other staff transferred from existing departments to the sectors. The MTA assumed that these new positions would be filled by newly hired staff and that all other sector positions would be filled by staff transferring from other MTA departments. The MTA's analysis further assumed that all the staff transferring to the service sectors would have continued to have been employed by the MTA in the absence of sectors. However, some positions moved to service sectors may have, in the absence of sectors, been eliminated from the MTA as a result of the administrative reorganization that it conducted. Thus, it is unclear whether the 25 new positions reflect a complete picture of the true incremental costs of implementing sectors.

The MTA did not fully consider alternatives during its planning efforts for service sectors or governance councils.

The MTA did not fully consider alternatives during its planning efforts for service sectors or governance councils. In presentations to the MTA board and an interim joint powers authority, the MTA provided comparisons of service sectors to transportation zones. As we discuss in the Introduction, the creation of transportation zones results in a carving away of services from the MTA into new and separate agencies. The MTA in its presentations, however, limited its comparisons to zones only, and never attempted to examine any other alternatives. Moreover, the MTA's comparisons were high-level and did not present costs or disadvantages to sectors over zones. In addition, the financial advantages cited by the MTA for service sectors

were not based on financial analysis or cost-benefit studies and thus may have been overly optimistic. Had the MTA performed a comprehensive analysis of alternatives, it would have more assurance that it made the appropriate decision in establishing sectors to achieve its goals.

For example, one goal of implementing service sectors was to provide “community-based transportation services.” To achieve this, the MTA established governance councils to facilitate public participation in the sectors. Instead, the MTA could have implemented governance councils as a means of facilitating public participation without decentralizing its operations. Management believed that switching to a smaller, more community-based organization structure through service sectors also would allow the MTA to achieve another goal—improving the efficiency and effectiveness with which it delivers public transit. However, there may have been other means of improving the efficiency and effectiveness of its bus operations without decentralizing into five service sectors and incurring additional costs related to decentralization. Because the MTA did not fully consider other alternatives when it planned the service sector implementation, it has reduced its ability to show that converting to service sectors was the most efficient or effective way to change the way it delivers public transit services.

Because MTA management wanted to implement sectors quickly to realize the benefits of more local input through decentralized operations, the MTA undertook only limited planning before implementing sectors.

The MTA undertook only limited planning because MTA management wanted to implement sectors quickly—by July 2002—to realize the benefits of more local input through decentralized operations. The board hired a new chief executive officer and deputy chief executive officer, who began work in September 2001 and October 2001, respectively. This new executive management team wanted to revitalize MTA bus operations quickly and to bring more local control and input into the MTA’s provision of bus services. MTA management further stated that it was not necessary to conduct extensive analyses before implementing service sectors because they believe that extensive studies regarding management decentralization had already been conducted in the past by consultants. However, our review found that these studies were conducted between 1989 and 1998 and did not examine the effects of establishing or operating service sectors. Although some of the studies may have provided some helpful background information, they did not replace the need to assess the potential costs and benefits related to service sectors or to look fully at alternatives.

Furthermore, MTA management stated that they did not believe significant financial analysis was warranted because they did not expect that sectors would add significantly to the MTA's total expenditures. According to management, the MTA's objectives for its fiscal year 2002–03 budget included a requirement that it form sectors with no increase in the cost per vehicle service hour for bus services. At the time of our fieldwork, information on the actual cost per vehicle service hour for fiscal year 2002–03 was not yet available, and thus we were unable to verify whether the MTA had met this objective.

MTA management believed they could mitigate a lack of analysis at the outset by conducting financial analyses as part of the ongoing budget efforts after implementing the sectors. However, performing financial analysis on an ongoing basis does not compensate for the lack of such analysis when the decision was made to implement sectors. The expected cost of service sector implementation was relevant information to consider during the decision-making process.

The MTA Attempted to Mitigate Its Limited Efforts to Plan for Sectors

The MTA attempted to mitigate its limited planning efforts. For example, it established a task force of employees to help create the sectors. Five of the 11 core group members on this task force had worked in MTA's regions during its last attempt at decentralizing bus operations, so they were able to bring insight and lessons learned to the implementation process. As we discuss in the Introduction, the MTA decentralized its bus operations into regions in 1996. Because of various issues, the region concept failed, and by 1998 all bus operations were centralized once again.

Bringing some of the employees who had worked in regions onto the task force allowed the MTA to identify what did not work for regions and to account for these issues when establishing the sectors. For example, during the MTA's last attempt at decentralizing bus operations, it did not transfer support functions, such as scheduling, budgeting, or performance reporting, to the regions. Employees familiar with the prior attempt identified this as one reason the regional

To bring insight and lessons learned to the implementation process, the MTA established a task force of employees, some of whom had experience with the MTA's previous attempt to decentralize bus operations.

concept failed. As a result of the task force’s discussions, the MTA identified and incorporated the following items, which it believed were critical to future sector success, into its sector plan:

- Restructure support functions to sustain the sector model better.
- Revisit job descriptions and evaluate employee functions throughout the MTA to better provide an integrated, hybrid workforce.
- Avoid drastic cost cutting during implementation—instead phase in planned efficiencies in management functions and resources.
- Allocate resources at the sector level to allow for consistent administration of collective bargaining agreements.

Further, MTA management attempted to be proactive in addressing issues with sectors as the issues arose. At the outset of its planning process, MTA management stated that they planned to address any issues arising from uncertainties that they may not have considered or that they may have overlooked during the planning process as sectors progressed. We noted that management made some changes during the start-up year, adjusting organizational structures to solve issues they did not address during the limited planning stage. In doing so, the MTA recentralized some support functions and decentralized others. For example, the MTA initially moved some human resources positions to the sectors, but it recentralized these positions after it found that it preferred to control human resources functions at its headquarters because of the complexities involved in its contracts and employment laws and regulations. Conversely, the MTA initially did not move security functions from its headquarters to the sectors. However, MTA staff stated that when the MTA subsequently signed a new contract with the Los Angeles County Sheriff’s Department, it arranged to have transit community police officers report to the sector general managers because it found that each sector has unique security issues. Therefore, the MTA appears to be following through on its plans to refine the sectors as they progress. Nonetheless, these mitigation efforts cannot resolve the MTA’s lack of initial analysis, which, as we discussed earlier, now limits its ability to demonstrate that it implemented and is operating sectors as effectively or efficiently as possible.

Although the MTA appears to be following through on its plans to refine the sectors as they progress, its mitigation efforts cannot resolve its lack of initial analysis, which now limits its ability to demonstrate that it implemented and is operating sectors as effectively or efficiently as possible.

THE ULTIMATE SUCCESS OF SERVICE SECTORS IS DIFFICULT TO PREDICT, GIVEN THE LIMITED TIME THEY HAVE BEEN IN OPERATION

All five service sectors have been in place for a limited time—a little more than one year as of November 2003. Therefore, it is difficult to predict whether the sectors and governance councils ultimately will increase the efficiency of and public participation in the MTA's operations. Nonetheless, our review of service sectors found that in general the establishment and operation of service sectors do not appear to have had a detrimental effect on bus operations. However, it is difficult to measure some effects of service sectors because the MTA did not separately identify or track effects on its staff resulting from sector implementation versus those resulting from an administrative reorganization it undertook.

The effects of sector implementation are difficult to isolate from the administrative reorganization that occurred at about the same time.

Our analysis of the MTA's budgeted full-time equivalent positions (FTEs) before and after sector implementation found that sectors do not appear to have affected the number of MTA employees significantly. However, the effects of sector implementation are difficult to isolate from the administrative reorganization that occurred at about the same time. Beginning in late 2001, the MTA reorganized its support functions at headquarters and eliminated several redundant functions in various departments. The MTA did not perform any analysis to identify the effects of staff transferring to sectors versus staff that were cut due to the reorganization. Further, the MTA made decisions regarding which positions to terminate during its reorganization through meetings held between department heads and the chief executive officer, but it did not perform a written analysis to identify why it cut certain positions. Consequently, the MTA has no analysis to demonstrate whether it would have retained the positions it transferred to the sectors if it had not decentralized its operations.

MTA staff stated that we would be able to use the MTA's fiscal year 2002–03 reconciliation of FTEs, a comparison of FTEs from fiscal year 2001–02 to those budgeted for fiscal year 2002–03, to isolate the effects of the administrative reorganization from those of the service sector implementation. However, we found that the reconciliation lacked sufficient data for us to perform this analysis. For example, although this reconciliation included a total for the number of positions transferred to the sectors, the total also included positions moving within nonsector offices in other transit operations departments. Further, the MTA's sector office staff counts did not include any additions due

to staff transferring from other departments within the MTA. For these and other reasons, we were unable to use the MTA's reconciliation to determine which staff the MTA cut due to the administrative reorganization, which staff it transferred to the service sector offices, and which staff it transferred for other reasons.

The establishment of service sectors, coupled with the administrative reorganization, did not negatively affect the number of MTA staff.

Nevertheless, our review of budgeted FTEs revealed that the establishment of service sectors, coupled with the administrative reorganization, did not negatively affect the number of union or nonunion MTA staff. We used budgeted FTEs because the MTA could not provide us with actual positions filled for all cost centers. However, MTA management asserted that budgeted FTEs are a close approximation of actual positions because the MTA has a low vacancy rate. We looked at union and nonunion employees separately to determine whether the MTA's actions disproportionately affected one group over the other. We did this because nonunion employees, who include management, analytical, and some clerical staff, generally do not enjoy some of the protections given to union employees by virtue of negotiated contracts.

As shown in Table 1, the number of budgeted MTA FTEs increased for union and nonunion employees from fiscal years 2000–01 to 2003–04. Although the overall percentage increase for total FTEs was 2 percent, certain categories had larger increases. For example, nonunion staff increased at the MTA's service sectors, which include bus operating divisions, by 64 FTEs, or 62 percent, causing a correspondingly large increase of 12 percent in the total nonunion staff for the MTA's transit operations. The MTA saw these increases in nonunion staff in part because of staff transferred from MTA headquarters to sector offices and in part because 25 new positions were added at sector offices. Union staff decreased at nontransit operations departments by 54 FTEs, or 11 percent. These decreases were offset by the increased number of union staff hired at transit operations departments for the MTA's new rail line as well as staff transferred from nontransit to transit operations departments as part of the MTA's realignment of functions during its administrative reorganization. Both factors caused union staff at transit operations departments to increase by 173 FTEs during this same time. Thus, in total for the MTA, union staff increased by 119 FTEs, or 2 percent.

TABLE 1

**Change in Budgeted FTEs for Transit Operations and the MTA as a Whole
Fiscal Years 2000–01 to 2003–04**

	Fiscal Year 2000–01	Fiscal Year 2003–04	Change in Budgeted FTEs	
			Number	Percent
Transit Operations				
Service Sectors and Divisions				
Union	5,141	5,250	109	2%
Nonunion	104	168	64	62
Totals	5,245	5,418	173	3
All Other Transit Operations Departments				
Union	1,698	1,762	64	4
Nonunion	355	347	(8)	(2)
Totals	2,053	2,109	56	3
Totals, Transit Operations*				
Union	6,839	7,012	173	3
Nonunion	459	515	56	12
Totals	7,298	7,527	229	3
All Other MTA Departments†				
Union	499	445	(54)	(11)
Nonunion	1,056	1,065	9	1
Totals	1,555	1,510	(45)	(3)
Totals, All MTA Employees				
Union	7,338	7,457	119	2
Nonunion	1,515	1,580	65	4
Totals	8,853	9,037	184	2%

Source: MTA budgeted FTEs report, fiscal years 2000–01 and 2003–04.

* Transit operations departments include service sectors and divisions, as well as the MTA's central maintenance, facilities, and Metro Rail departments, among others.

† All other MTA departments include the MTA's communications, finance, and procurement departments, among others.

Furthermore, as shown in Figure 3, our review of the MTA's organizational structure before and after service sectors were implemented found that the implementation, coupled with the administrative reorganization, appears to have flattened the organizational structure of the MTA's bus operations. During our discussions with division managers within the sectors, many of them commented that this flattening of the organization has resulted in increased accountability and communication. For example, nearly all of the 10 division managers we interviewed reported that communication is easier now, because they can address issues with one sector general manager instead of multiple headquarters staff. Further, several division managers stated that they are now more accountable for their work because the sector general managers scrutinize their work closely.

However, we noted that because the MTA allows the sector general managers to adjust sector structures to fit their management preferences, each service sector could have a slightly different organizational structure from the other sectors. For example, in most sectors, transit operations supervisors, who are responsible for vehicle dispatching and vehicle operations instruction, as well as other functions, are located at division offices under the supervision of division managers or assistant division managers. However, the general manager for the San Fernando Valley sector decided to move 11 transit operations supervisor positions to the sector office instead. Differences in organizational structures at the sectors could increase over time, resulting in five different organizational structures for the sectors operating under the MTA umbrella.

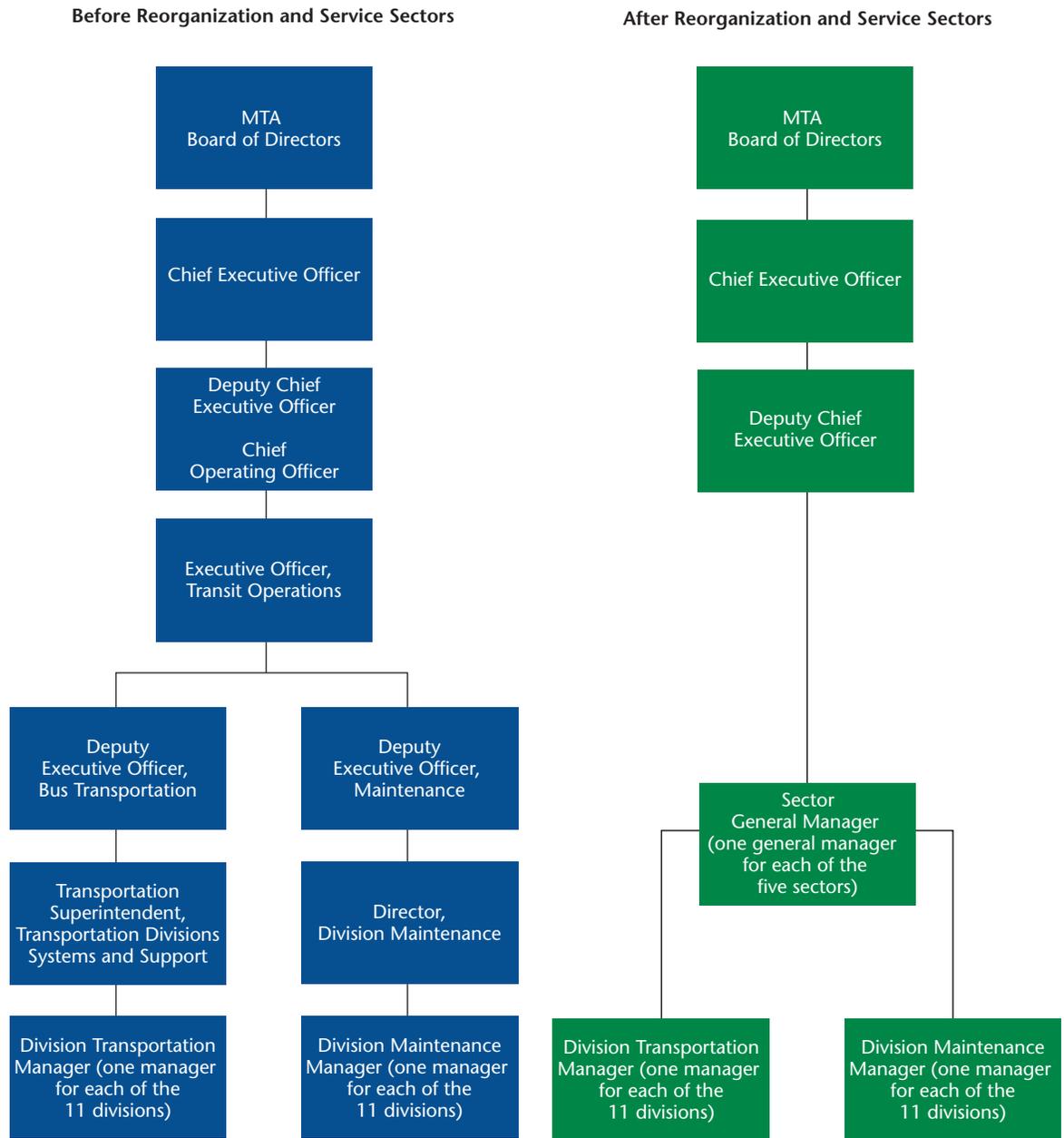
Finally, all five sectors have been in existence for only a little more than a year and thus have had a limited amount of time to demonstrate whether sector implementation has affected operating performance. Nevertheless, we compared key performance data for fiscal year 2001–02—the year before sector implementation—to fiscal year 2002–03 for the bus operating divisions for each sector. In certain instances, we found that some indicators showed decreased performance for divisions. However, we did not find a direct link between these changes and the MTA's implementation of service sectors. Our review found that performance either increased or did not significantly decrease for many of the divisions and measures we reviewed. For example, six of the 11 divisions improved their on-time performance (the percentage of buses leaving their operating division within one minute of the scheduled pullout time) and their scheduled revenue service hours delivered (the percentage of scheduled

All five sectors have been in existence for only a little more than a year, and thus have had a limited amount of time to demonstrate whether sector implementation has affected operating performance.

FIGURE 3

Change in Organizational Structure Due to Administrative Reorganization and Service Sector Implementation

MTA Organizational Structure



Source: MTA organization charts as of June 2001 and May 2003.

Note: This figure focuses on bus operations oversight and excludes rail operations, as well as support functions, such as accounting or human resources.

hours delivered after being offset by cancellations, buses that leave the yard late, and in-service equipment failures) from fiscal years 2001–02 to 2002–03. The remaining divisions saw slight decreases for these measures—0.6 percent or less.

We did not find any indication that establishing or operating service sectors were responsible for the negative trends in two areas in which the MTA saw decreases in performance. For example, the MTA saw many divisional increases in the number of bus traffic and passenger accidents from fiscal years 2001–02 to 2002–03. However, these negative trends occurred at the same time the MTA implemented increased numbers of Metro Rapid bus lines. Metro Rapid buses have special sensors that keep traffic lights green for the buses when they approach. Although this means less time waiting at red lights and fewer delays for bus passengers, MTA management stated that this also has played a large role in the increased number of accidents the MTA has experienced because drivers may try to jump ahead of the Metro Rapid buses to take advantage of the green lights.

We also found that all MTA divisions reported increased numbers of complaints per 100,000 boardings. MTA management stated that the service sectors, with their emphasis on soliciting public input, may have affected these statistics, but they could not provide us with evidence to support this claim. Moreover, as we discuss in Chapter 2, the MTA could make improvements in communicating the existence of sectors to the general public. Therefore, we question the MTA's assertion that service sectors could have contributed to the increase in complaints.

The MTA Transferred Some Existing Problems to the New Service Sectors' Operations

As time passes, the service sectors may prove to be successful in achieving the MTA's goal of increasing the efficiency with which it delivers bus services. However, to fully achieve this success, the MTA first must resolve some preexisting problems that it transferred from its centralized operations to the service sectors. Specifically, the MTA lacks a way to determine cost savings and boarding data accurately at the sector level, issues arising from conditions that predate its decentralized operations. Until the MTA resolves these issues, general managers will not have an adequate measure of their efforts toward achieving the MTA's goals.

The MTA has problems calculating actual amounts saved by sectors because the recorded costs of the service sectors do not include their divisions' use of some support functions.

The MTA has problems calculating actual amounts saved by sectors because the recorded costs of the service sectors do not include their divisions' use of some support functions. The MTA historically has not assigned some transit operations support expenditures to the sectors or divisions that originate the costs, but instead accounts for these costs as categories under the total expenditures for transit operations. Specifically, the MTA does not allocate expenditures related to the divisions' use of the regional rebuild center, which performs heavy maintenance; the divisions' use of the bus operating control center; and the training provided by the operations central instruction department. Because the MTA does not allocate these costs to the divisions using the services, the divisions' reported costs do not reflect the true expense of operating the divisions, so total expenditures are understated. MTA management cited a limitation in the MTA's information systems as the reason for not being able to allocate these costs. The MTA plans to create a new method for charging these costs to sectors by July 2004.

MTA management stated that the MTA did not place as great an emphasis on holding division managers accountable for controlling the costs of their operations in the past. With the implementation of sectors, however, management of the sectors are being measured on their attainment of financial objectives. Yet, because the MTA has not developed a means of calculating the true cost savings for each bus operating division and sector, it lacks a means of accurately measuring sector management's attainment of their financial objectives. Moreover, general managers lack key information they need to manage their operations effectively.

Additionally, the MTA's methodology for computing boarding data is not sufficient to allow it to provide accurate ridership data at the sector level. The MTA uses a sample methodology to calculate its ridership. In 1998, this sample methodology was certified for Federal Transit Administration purposes as yielding estimates whose precision, at the 95 percent confidence level, is plus or minus 3 percent when used to calculate total annual ridership for the MTA as a whole. However, as the MTA breaks down this data into smaller levels, such as monthly or sector levels, the methodology becomes increasingly inaccurate and therefore meaningless for decision making because the smaller levels are based on smaller sample sizes that do not yield statistically valid conclusions. Although the MTA is implementing a new automated passenger count system that it plans to have fully in place by late 2004, the sector general

managers currently lack accurate information on boardings and thus lack important feedback on how their decisions affect bus ridership. Further, because the MTA uses boarding data in calculating some of its key performance indicators, this lack of accurate data could limit its ability to judge the sectors' performance. Because MTA staff do not expect to have accurate sector data until late 2004, the MTA will lack a pre-implementation baseline with which to compare future data.

Sectors Have Not Affected Labor Contracts, but Union Concerns Persist

Our review of the MTA's collective bargaining agreements with the three unions representing most sector employees found that these contracts did not change with the implementation of sectors. MTA union employees continue to work under the same contracts the unions signed several years ago, although as of mid-November 2003, the MTA is negotiating new contracts with two of these unions. It is unknown at this time how the existence of sectors will affect the new contracts. We interviewed representatives for the three unions representing most MTA sector employees and found that these representatives agreed that the implementation of service sectors has had no effect upon union members' wages, benefits, or jobs. Specifically, the protections and benefits given to MTA employees under the existing labor contracts are as valid under the decentralized sector operations as they were under the centralized organization. In addition, most union employees continue to be managed by divisional transportation or maintenance managers. Furthermore, the MTA board retained the authority for negotiating labor contracts and did not delegate this task to sector governance councils or general managers. Consequently, neither the governance councils nor sector general managers can change the terms of the contracts on behalf of the MTA. Finally, as we discussed earlier, the number of MTA employees, including union employees, has increased since the implementation of sectors and the administrative reorganization, so we did not find that the implementation of sectors had a negative effect on the number of union employees at the MTA.

Union representatives we spoke with agreed that the implementation of service sectors has had no effect on union members' wages, benefits, or jobs.

Nevertheless, union representatives voiced some concerns with how they believe the MTA has changed its grievance resolution process since it instituted the service sectors. Two of the three union representatives we interviewed stated that service sectors have added an extra layer of management—sector general managers—that the unions must deal with as part of the

grievance process. Additionally, one union representative stated that in the past, employees could take grievances to division managers for resolution, but that now employees must take grievances to sector general managers, who have the final say.

Service sectors have not altered the MTA's grievance process significantly.

We did not find that sectors have altered the MTA's grievance process significantly. For example, although the current contracts were signed before sectors were established, one of the three contracts we reviewed contains a provision that allows the deputy chief executive officer to delegate his authority to resolve grievances. Under this contract, the deputy chief executive officer becomes involved at the second level of the grievance process, the initial appeal level, only if the grievance is not resolved at the first level of the process. Using the contract provision, the deputy chief executive officer has delegated this authority to the sector general managers, believing that the general managers, being closer to the issue, can bring perspective to the resolution of the grievance that the deputy chief executive officer may not have. Under the other two contracts, the labor relations office, and not the deputy chief executive officer, is involved at the second level, and this office has not delegated its authority. Hence, sector general managers are not involved in the grievance process for these unions. Therefore, although the sector general managers are now involved in the grievance process for one of the unions they were not involved with before, they are standing in for the deputy chief executive officer, replacing his involvement. Thus, they are not an additional layer. Further, although one union representative stated that sector general managers now have the final say, our review of the three contracts did not find this to be the case. In all three contracts we reviewed, the MTA's labor relations office is the final level of review in the grievance process between union employees and the MTA, although grievances could go to arbitration beyond this stage.

THE EFFECTS OF IMPLEMENTING SECTORS BEFORE GOVERNANCE COUNCILS APPEAR TO BE MINOR

The MTA intentionally implemented service sectors first to start realizing their expected benefits; however, significant periods of time elapsed before most governance councils were established. MTA management, acknowledging that governance councils would take more time to form due to the process required to create them, decided to implement sectors first to realize the benefits of a decentralized operation quickly. In fact, staff stated

that the MTA accelerated the implementation of service sectors more quickly than originally planned. However, the MTA also took steps to mitigate the initial lack of input and oversight from governance councils, and we did not find significant adverse effects because of the delays.

In all instances, sector operations began before governance councils were established. As of November 2003, four of the five sectors had established governance councils, with approximately three to nine months elapsing between the date the sector began operations and the date the board approved the sector’s council members. However, one sector, Westside-Central, still did not have a governance council. Table 2 shows the dates the sectors started operations, the dates the board approved their councils, and the time elapsing between these dates.

TABLE 2
Number of Months Elapsing Between the Dates the Sectors Began Operations and the Dates the MTA Board Approved the Governance Council Nominees

Sector	Sector Operations Began	MTA Board Approved Governance Council Nominees	Approximate Number of Months
Gateway Cities	September 1, 2002	May 22, 2003	9
San Fernando Valley	July 1, 2002	February 27, 2003	8
San Gabriel Valley	July 1, 2002	January 23, 2003*	7
South Bay	September 1, 2002	December 12, 2002	3
Westside-Central	September 1, 2002	NA	NA

Source: MTA board minutes, MTA press releases.

NA: Not applicable. As of November 2003, the Westside-Central sector did not yet have a governance council.

* The MTA board approved seven of the nine council members on this date. The remaining two members were approved on February 27, 2003.

A variety of factors caused the MTA to implement governance councils, in most cases, long after sectors. For example, MTA management stated that the process involved with establishing governance council policy and bylaws contributed to the delays in establishing the councils. According to management, the MTA was able to develop and implement service sectors fairly quickly because the board does not require MTA management to seek its approval before making organizational changes. On the other hand, the creation of the governance councils did require the board’s direct input because it was delegating authority to oversee the planning and implementation of service within sectors to the governance councils.

The board formed an ad hoc service sector committee to reach a consensus on the rules for and responsibilities of council members and on the duties that it planned to delegate to the councils. MTA management stated that, as part of the ad hoc service sector committee's review, they submitted drafts of documents such as bylaws to various stakeholders, including 88 cities in Los Angeles County, for review and input. According to MTA management, many of these stakeholders meet only once per month, so the time required to collect this input added to the time it took to develop the bylaws.

One sector has operated for 14 months without a governance council primarily because one city did not agree with the others on the nominating board about the number of representatives it should have on the council.

Additionally, the process of nominating council members took time. Although the MTA's bylaws for the governance councils establish certain requirements for the councils' composition, jurisdictions within sector boundaries are allowed to nominate council members. Specifically, the bylaws include a requirement that nominations be submitted through a locally adopted process by a coalition comprising councils of governments, interim joint powers authorities, and any cities and unincorporated county areas. According to MTA management, all local and county government entities within a sector's geographic area must be included in the nomination process, and these entities must reach a consensus before the board will approve a governance council for the sector. Entities in some sectors have had difficulty in reaching this consensus, and in one sector, Westside-Central, this has resulted in a long delay. Staff at one city in this sector stated that the delay occurred primarily because the city did not agree with the others on the nominating board about the number of representatives it should have on the council. Consequently, this city did not submit its list of nominees until October 21, 2003, delaying the nomination process. As of November 2003, the MTA board had not yet met to approve these nominees, so the sector has operated for 14 months without a governance council.

Our interviews with MTA staff found that they believe some negative effects have resulted from the long time periods that most service sectors operated without councils. Nevertheless, these negative effects appear to have been minor and to have been mitigated somewhat by the MTA's actions. For example, one general manager reported that by implementing the service sectors before the governance councils were in place, sector staff, rather than governance councils, had to take the initiative to organize and conduct community meetings. Although this

increased the sector general managers' workload, these attempts to hold community meetings mitigated, in part, the effects of delays in appointing governance councils, even though the general managers' efforts varied across the sectors.

In the absence of governance councils, most sector general managers made reasonable attempts to hold community meetings to provide information to the public and to collect input on bus operations in their sectors.

In the absence of governance councils, most sector general managers made reasonable attempts to conduct community meetings to provide information to the public and to collect input on bus operations in their sectors. One sector, Gateway Cities, held seven community meetings during the nine-month period it operated without a governance council. Westside-Central has not conducted any community meetings, even though the sector has operated, as of November 2003, for 14 months without a governance council. However, MTA management points out that this sector's general manager attended various meetings in the community during this time. Furthermore, the MTA board conducted the public hearings required for major service changes while sectors were without governance councils. In one case, a sector general manager held a public hearing. The general manager for the Westside-Central sector held a public hearing in April 2003, but subsequent board action was required to approve the results and to adopt service changes. Governance councils now hold these public hearings, and one general manager stated that the governance councils are much closer to service sector issues, whereas the board has broader concerns. Nonetheless, the MTA did attempt to gather and use public input for these service changes, so the effects of most governance councils being implemented long after sectors appear to be minor.

Three of the four sector general managers we met with also cited positive effects arising from implementing councils after sectors. For example, two general managers commented that by implementing sectors first, they and their staff had a better understanding of sector objectives and operations and thus were better able to provide information to their council members. Further, three council members stated that it would not have made sense to institute councils first, because there would not have been anything for the council members to govern.

RECOMMENDATIONS

The MTA should ensure that it plans for future projects adequately by conducting sufficient analysis. Specifically, the MTA should consider conducting cost-benefit analyses, fiscal projections, and analyses of alternatives when implementing major changes or programs.

To ensure that sectors have the tools they need to manage their performance, the MTA should continue its efforts to track all costs associated with sector operations and to identify the actual savings generated. Further, the MTA should continue its efforts to improve its computation of boarding data. ■

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CHAPTER 2

The MTA Can Improve Its Communication Efforts and Its Efforts to Address Duplicative Services

CHAPTER SUMMARY

The Los Angeles County Metropolitan Transportation Authority (MTA) provided training to its governance councils on their various responsibilities. However, it has not given these councils sufficient information on the problems that currently prevent it from calculating sector cost savings, as well as on the limitations imposed by the MTA's consent decree and union contracts. This lack of sufficient communication about important issues could result in governance council members perceiving the MTA as ignoring matters that are important to them and could lead to conflicts between the councils and the MTA in the future. Additionally, weaknesses exist in the MTA's methods of advertising governance council meetings. Consequently, the MTA may be missing opportunities to use these meetings effectively to improve customer input into bus operations and to tailor service to local needs.

Although the MTA did not implement service sectors with the goal of reducing overlapping or duplicative services, staff that we spoke with at four of five large municipal transit operators in Los Angeles County believe that service sectors have improved coordination between the MTA and these operators. Some overlap in services may be necessary to provide convenient connections for transit customers. Nevertheless, duplication in services occurring from overlap has been identified as an area where significant improvement can be made. Although there is debate regarding the definition of duplicative services, the MTA is working to resolve this issue by developing a major restructuring of bus service in Los Angeles County. The MTA wants to begin the restructuring by December 2004 and complete it by June 2006. However, it only recently started its planning process and has not yet invited municipal operators to participate directly. The MTA must bring these operators more fully into the process as it progresses to ensure that it does not undermine its efforts by failing to acquire the buy-in of all necessary stakeholders.

COMMUNICATION DIFFICULTIES COULD LEAD TO CONFLICTS WITH GOVERNANCE COUNCILS AND UNDERMINE THE MTA'S EFFORTS TO INCREASE COMMUNITY INPUT

The MTA has not communicated adequately to councils its problems in calculating sector cost savings. Consequently, it risks having governance council members form incorrect assumptions about its capabilities or becoming frustrated with the MTA's seeming lack of attention to issues council members believe are important. Additionally, the MTA has not trained governance councils adequately in two areas that could limit their ability to make service changes. Conflicts could arise unless the MTA improves its communications to council members. Further, the MTA's lack of communication about service sectors to the general public could undermine its efforts to increase community input.

Lack of Communication Could Lead to Conflicts With Governance Councils

Although the MTA provided training to the governance councils on their various responsibilities, it has not communicated adequately with its governance councils regarding some pertinent issues. For example, some governance council members that we spoke with expressed their belief that the MTA should return cost savings to the sectors that generated the savings. However, we found that the MTA had certain limitations that currently prevent it from calculating these savings, and MTA staff had not communicated these limitations to the various governance councils. Specifically, as we discuss in Chapter 1, the MTA has not yet developed a way to calculate the actual savings generated by sectors because of problems in identifying all sector expenditures. Because the MTA has not been proactive in communicating its reasons for not addressing where cost savings will be spent, governance council members could perceive the MTA as ignoring issues important to them.

Because the MTA has not sufficiently communicated its reasons for not addressing where cost savings will be spent, governance council members could perceive the MTA as ignoring issues important to them.

Additionally, the MTA board of directors (board) retains final authority for approving budgets, and it has not yet addressed the issue of where sector cost savings, once it becomes possible to calculate them, will be spent. However, some sector general managers may have established erroneous expectations with their governance councils that the MTA at present cannot fulfill. Specifically, one sector general manager stated to his council in July 2003 that preliminary discussions indicated that savings would stay with the sectors. A second sector general

manager stated to his council that the MTA was trying to get a revenue-based budget at the sector level so that if a surplus were generated, it would remain with the sector and be available for use in future years.

Although the MTA provided training on many areas pertinent to councils, it has provided limited training in two areas that could limit the councils' ability to make service changes: the consent decree and union contracts.

In general, the MTA has provided training in many areas that are pertinent to the governance councils. However, it provided limited training in two areas that could limit the councils' ability to make service changes: the consent decree and union contracts. Therefore, the MTA has not given its governance councils all the tools they need to oversee service changes in their sectors. Under the MTA's consent decree, an agreement that the MTA entered into in response to a civil rights lawsuit brought by various plaintiffs representing bus riders, the MTA must reduce load factors (the number of passengers in relation to the number of seats on its buses) to agreed-upon ratios by year. The MTA's central scheduling department reviews service changes proposed by the sectors to ensure compliance with the consent decree. However, council members could become frustrated if they attempt to make changes that the MTA's headquarters subsequently overturns because of consent decree violations. MTA management acknowledged that the information they initially presented to governance councils was limited. For example, although the binders provided to the governance councils as part of their initial training included the passenger load factors that the MTA must meet and the dates by which it must meet them, the binders did not discuss how the MTA expected councils to use this information in making service change decisions. One governance council has requested more detailed information and may therefore have a better understanding compared to other councils that did not request this information.

Furthermore, the binders provided to governance council members contained no information on limitations imposed by union contract terms. According to MTA management, they advised council members during the initial training presentations that union contracts contained provisions they needed to work within, but management did not go over the specifics in the contracts. However, one union contract contains provisions limiting the MTA's ability to discontinue individual bus lines and allow municipal transit operators to operate them instead. Consequently, governance councils face limitations in cutting some services if they expect other operators to pick

up these lines. Again, without more training and information provided to them, governance council members could become frustrated if the MTA board subsequently overturns their service changes because of conflicts with union contracts.

MTA management stated that they provided limited training to councils on the consent decree and union contracts because they believe the thrust of the governance councils is to provide input and local review on scheduling, not managing operations. However, overseeing service changes is a vital part of the councils' duties in reviewing scheduling. The MTA's assertion is not consistent with the fact that, as discussed earlier, the information on union contracts and the consent decree does relate to the councils' ability to make service changes. Thus, it would be beneficial for the MTA to provide this valuable information to the councils. Governance councils have not yet made significant changes to bus services—as of November 2003, the four active councils have participated in public hearings related to only one set of major service changes, those the MTA expected to implement by the end of 2003. Nonetheless, the MTA must give the council members information on the consent decree and union contracts or face future conflicts. After our inquiries, MTA management stated that they were beginning presentations to councils to address some areas of potential conflict.

Lack of Communication About Service Sectors Could Undermine the MTA's Goals of Increasing Community Input

Although one issue identified by the MTA in its planning phase for sector implementation was a need for improved community input into bus services, weaknesses in the methods the MTA uses to advertise governance council meetings could result in it missing opportunities to use these meetings effectively to improve customer input into bus operations and to tailor service to local needs. For example, the MTA advertises monthly governance council meetings via "Metro Briefs" in local newspapers and has included information in brochures it places on buses. However, MTA staff acknowledged that the MTA does not run these print advertisements on a monthly basis, and does not have a regular schedule in which it publishes advertisements for governance council meetings. Therefore, the public does not have a predictable way of knowing when a governance council meeting is about to occur.

Because the MTA does not have a regular schedule for advertising monthly governance council meetings in local newspapers, the public lacks a predictable way of knowing when these meetings are about to occur.

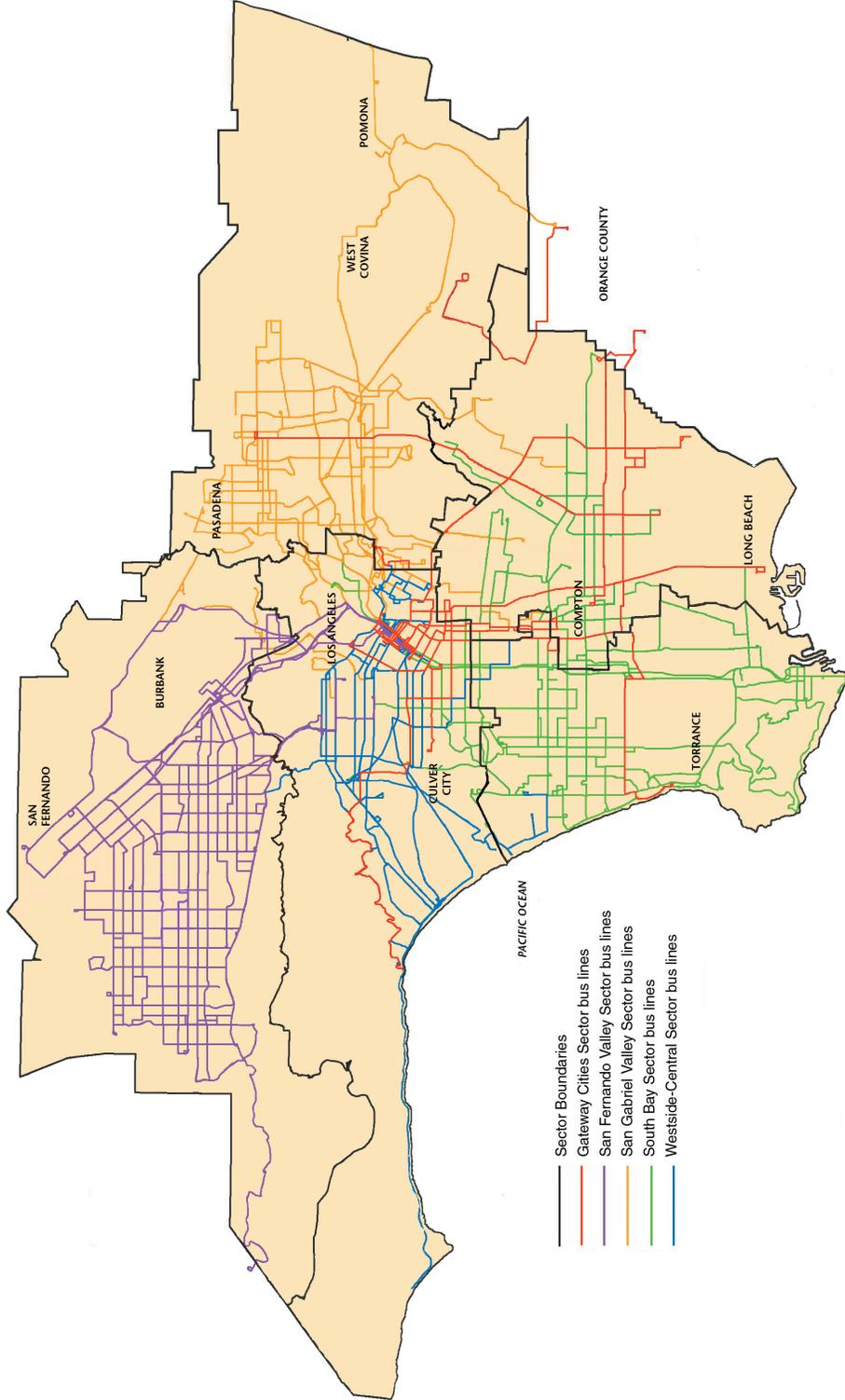
Additionally, our review of the brochures that the MTA designed for specific sectors found that they lacked information on the times and dates of governance council meetings. We also noted that four monthly brochures the MTA issued in 2003 to communicate overall MTA news did mention the governance council meeting times and dates. However, each brochure highlighted only a single council per month, even though other councils also met during this time. Finally, the MTA advertises its monthly governance council meetings in announcements added to the MTA's "Board Meetings/Agendas" section of the MTA Web site. Bus riders must know where to look for this information. The MTA's sector Web page contains general information about the sectors, and the MTA Web site has a page with links to bus line timetables. However, neither page provides links to the information about the monthly sector governance council meetings on the "Board Meetings/Agendas" page. Without better communication, bus riders may be missing the opportunity to participate in governance council meetings.

For those bus riders interested in participating in meetings, the MTA does not have an efficient or effective way for bus riders to identify what specific routes fall within a given sector.

Furthermore, for those riders interested in participating in meetings, the MTA does not have an efficient or effective way for bus riders to identify what specific routes fall within a given sector. The MTA displays sector information, such as a general sector overview and a map of the sector area, on its Web site, but it does not show the bus routes for which each sector is responsible. The MTA does not publish this information anywhere else, including in its bus route schedules or via posters on the vehicles. Without this information, bus riders lack an effective way to determine where to direct their comments about bus operations, or which meeting they should attend to bring up bus-related issues. Additionally, the brochures the MTA designed for specific sectors lack any information on what routes fall under these sectors' jurisdictions. As shown in Figure 4 on the following page, the MTA's bus lines, which can consist of one or more routes, are not confined to a specific sector, and even if bus riders obtain a map of the service sectors, it may not be helpful to them in identifying the sector to which their bus routes are assigned. Hence, bus riders who want to raise issues about bus service may have difficulty determining which sector governance council meetings to attend.

FIGURE 4

MTA Bus Lines by Sector



Source: MTA service sector and bus lines map.
Note: This map shows the MTA's bus lines as of December 2002. Bus lines can have one or more routes associated with them.

Currently, the only avenue the MTA provides bus riders to determine what sector is responsible for a given route is through its toll-free number for customer service (1-800-COMMUTE). When bus riders call this number, they must go through several steps to reach an operator who can tell them which sector has responsibility for a particular bus route. However, the MTA does not publish the fact that bus riders can get sector-related information from staff members through this number. Furthermore, the current short-range transit plan issued by the MTA and municipal transit operators found that this number is not meeting passengers' needs effectively because calls take too long to be answered and the information provided is not always useful or correct.

THE MTA IS ATTEMPTING TO RESOLVE DUPLICATIVE SERVICE ISSUES

Although resolving overlapping service issues was not a goal when the MTA developed sectors, we found that service sectors seem to have improved the MTA's level of coordination with municipal transit operators. Staff at four of five large municipal transit operators in Los Angeles County that we interviewed stated that coordination efforts have become easier and more productive with the introduction of sectors. For example, Torrance Transit staff stated that the MTA's service sector implementation clearly has enhanced its ability to conduct discussions with the MTA on route coordination. Torrance Transit staff noted that the MTA's South Bay sector staff have become active in the South Bay Cities Council of Governments Transit Working Group, which focuses on, among other issues, the coordination and policy review of regional transit projects affecting the South Bay. In addition, Santa Monica's Big Blue Bus staff indicated that the MTA's implementation of service sectors has improved their communications with MTA staff in regard to bus service planning and coordination of services. The Big Blue Bus staff commented that MTA sector staff are now focused on a limited geographic area and so they are more likely to be interested in ensuring coordination. Nevertheless, although some improvements in coordination reportedly have occurred, the MTA has not been able to substantially improve or address overlapping service issues.

Staff at four of five large municipal transit operators stated that coordination efforts have become easier and more productive with the introduction of sectors.

MTA management reported that historically the MTA has had some degree of overlap between bus routes it operates and routes operated by municipal transit operators in Los Angeles County.

In October 2002, the MTA and municipal operators issued the Los Angeles County Regional Short-Range Transit Plan for 2003 to 2007 (short-range transit plan). The short-range transit plan reports that there are a number of corridors throughout the region along which multiple entities operate services. Although the plan acknowledges that some overlap is necessary to provide convenient connections for transit customers, it reports that much of the duplication of service that does occur results in lower productivity for one or more lines. Reducing duplicative services would allow the MTA to refocus service to unserved markets and regional services and could result in a more efficient use of regional transportation dollars. To effectively match the level of service to transit needs in the region, it is important for the MTA to coordinate planning and operations efficiently and effectively in Los Angeles County, as reductions in duplicative services could help to free up resources that could be used for other routes or services.

However, defining duplicative services is difficult. Although a working group made up of MTA staff and municipal operators identified potentially duplicative routes in the short-range transit plan, the working group acknowledged that it did not do an in-depth analysis, noting that there is still much debate regarding the definition of “duplication.” Nevertheless, in the short-range transit plan, the working group identified service duplication as an area where significant improvement could be made. It indicated that the MTA and municipal operators could reduce duplicative services by improving coordination or by having one agency assume primary planning responsibility for operations along a route segment.

The MTA Will Need to Involve Municipal Transit Operators in the Formation of Its New Transportation System

According to the MTA, it is working to develop a new and better public transportation system in Los Angeles County that it hopes to have its sectors implement by June 2006. The MTA last implemented a comprehensive public transportation system restructuring in the early 1980s, when it introduced the current grid-based network. Although it has implemented a series of incremental restructurings in recent years, the MTA believes these restructurings have not fully addressed the system’s

The MTA is working to develop a new public transportation system that it hopes to have its sectors implement by June 2006.

shortcomings or the strategies recommended in the MTA's long-range transportation plan. In its recent proposal, the MTA noted that its current system has several deficiencies that include the following:

- Service duplication with its own service and the service of other operators.
- An overly complex system, with too many variations and branches.
- An ineffective system of regional transfer centers, or transit hubs, with insufficient capacity to fully support transfer opportunities and service connectivity.

The MTA believes a hub-and-spoke network, as opposed to its current grid network, would create new opportunities to resolve these issues. A hub-and-spoke network uses major employment areas and transit centers as focal points, or transit hubs. Local bus routes and feeder services connect with regional services at these locations, linking them with other activity centers and residential areas. A key feature of this type of network is the increased utilization of high-capacity transit options, such as the rail system. The MTA believes duplication could be reduced by having local bus services feed into MTA regional bus and rail routes at key locations that would serve as hubs. However, these solutions are constrained by, among other factors, current potential transit hubs not having room for more bus routes. In order for this hub-and-spoke system to work, the MTA must work closely with the municipal operators to ensure overall coordination of services.

The MTA plans to begin implementing the new network by December 2004 and to complete the process by June 2006. However, it only recently started its planning efforts and has not yet invited municipal operators to participate directly in these initial planning and brainstorming stages. During our fieldwork, MTA staff told us the MTA delayed the planned implementation of the new network, in part to conduct more outreach with the municipal transit operators. Nonetheless, its current efforts have been limited to making brief presentations at meetings that municipal operators have attended.

As the MTA progresses in its planning for this network, it will need to bring these municipal operators directly into the planning process because this restructuring will require extensive coordination of efforts on the part of all providers

The MTA will need to bring municipal operators directly into the planning process for its new network because the restructuring will require extensive coordination of efforts on the part of all providers of transit services within the county.

of transit services within the county. MTA staff believe that communication and the involvement of stakeholders are key elements to the new system's success. As of November 2003, the MTA was in the process of procuring consulting services to assist in the development of a comprehensive plan for the project. In response to our inquiries about participation, MTA staff told us in November 2003 that they plan to invite a number of municipal transit operators to serve on the project's steering committee, which the MTA will form shortly after its consultant begins work. This, however, assumes that the municipal operators agree with the new hub-and-spoke network proposal and will not object to this extensive change that the MTA is proposing for the county. Further, the MTA's proposed scope of work for its consultant states that the MTA expects that two of its existing subcommittees—the Bus Operations Subcommittee and the Local Transit Systems Subcommittee—will pass on input to the MTA regarding the municipal operators' viewpoints. However, if the MTA does not effectively introduce municipal operators' views by allowing them to participate directly, as opposed to the indirect process of simply collecting input, it risks formulating a plan that will not receive sufficient buy-in from municipal operators, which could be detrimental to the network's future success.

RECOMMENDATIONS

To alleviate concerns and prevent conflicts between the governance councils and the MTA, the MTA needs to clearly define and communicate to the governance councils all the information they need to accomplish their goals, including information on limitations related to the MTA's problems in calculating actual sector savings, as well as information on the consent decree and union contracts.

To ensure that bus riders have access to information on governance councils and sectors, the MTA should ensure that it uses appropriate and sufficient means of communicating this information. For example, the MTA should consider adding information about bus routes and their corresponding sectors to its service sector and bus route Web pages, and it should consider adding information about its governance council meetings to these Web pages. Further, the MTA should consider adding information on governance council meeting times and locations to the brochures designed for specific sectors that it places on buses. It also should consider regularly advertising this information in newspapers.

Finally, the MTA should continue its planned efforts to focus on eliminating duplicative routes to the extent possible. Specifically, the MTA should allow stakeholders, such as municipal transit operators, to participate directly in the planning process. If the MTA does not proceed with its restructuring plans, it should create and implement policies and procedures to ensure that it coordinates service changes with municipal operators in such a way that it eliminates duplicative services to the extent possible.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,



ELAINE M. HOWLE
State Auditor

Date: December 16, 2003

Staff: Karen L. McKenna, CPA, Audit Principal
Celina M. Knippling
Erika Cruz
Leonard Van Ryn, CIA

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Agency response provided as text only.

Los Angeles County Metropolitan Transportation Authority
One Gateway Plaza
Los Angeles, CA 90012-2952

December 5, 2003

Elaine Howle*
State Auditor
California State Auditor
Bureau of State Audits
555 Capitol Mall
Ste. 300
Sacramento, CA. 95814

Ref: Report: It Is Too Early to Predict Service Sector Success, but Opportunities for Improved Analysis and Communication Exist

Dear Elaine Howle,

Los Angeles MTA is appreciative of the opportunity to comment on the draft report regarding the development and implementation of the bus service sectors. The audit report acknowledged that the bus service sectors have been in existence for a short period of time and the recommendations recognize the continuing efforts that the agency has initiated to ensure the successful implementation of community based bus service.

To actualize the concept of providing improved community based bus service required total commitment of management and staff. The process took over 15,500 man hours to plan, develop and implement the bus service sectors. In March 4, 2002, in its report to Executive Management, the Service Sector task force concluded that the "introduction of the service sector structure creates a dynamic that draws the customer closer to the transportation provider." That report also delivered a feasible work plan to implement the transfer of support functions to the sectors necessary to provide focused customer service to local communities.

The key objective for implementing service sectors was to facilitate community-based transportation services. The accelerated implementation schedule afforded MTA the opportunity to realize the attainment of this objective by forging partnerships with the community early in the process.

The emphasis on localized control is further augmented in the key principles of the Service Sector Governance Policy. Principles were drafted indicating that governance councils are a conduit for community issues on routes and services and to bring forth community issues and concerns to management and the Board of Directors. In this first year, these councils have overseen the planning and implementation of bus services within their communities.

* California State Auditor's comment appears on page 51.

In conclusion, MTA is committed to the community-based service concept. We will continue measures to improve the effectiveness of community input into delivery and quality of our services. We appreciate that your recommendations are aligned with our intent to continue to attain our objectives in facilitating community-based bus services.

Respectfully,

(Signed by: Roger Snoble)

Roger Snoble
CEO
LACMTA

COMMENT

California State Auditor's Comment on the Response From the Los Angeles County Metropolitan Transportation Authority

To provide clarity and perspective, we are commenting on the Los Angeles County Metropolitan Transportation Authority's (MTA) response to our audit report. The number below corresponds to the number we have placed in the margin of the MTA's response.

- As we acknowledge on page 18 of our report, the MTA did create a draft plan in March 2002 that detailed its vision and goals for service sectors. However, this plan lacked any financial analysis. We did not verify the number of hours that the MTA asserts in its response that it took to establish service sectors, and therefore we cannot comment on the accuracy of this total. Regardless of the number of hours it spent planning and implementing service sectors, we found, as stated on page 18 of our report, that the MTA did not conduct any cost-benefit analyses or fiscal projections of sector implementation, nor did it fully consider the feasibility of alternatives before establishing service sectors. Consequently, its ability to demonstrate that it implemented sectors as effectively or efficiently as possible is limited.

cc: Members of the Legislature
Office of the Lieutenant Governor
Milton Marks Commission on California State
Government Organization and Economy
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press