

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

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

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.*

REPORT NUMBER 2002-116, DECEMBER 2003

Los Angeles County Metropolitan Transportation Authority response as of December 2004

The Joint Legislative Audit Committee (audit committee) requested that we review the Los Angeles County Metropolitan Transportation Authority's (MTA) 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. We also reviewed various issues related to service sectors, including the training that MTA provided to sector governance councils and the manner in which governance council meetings are advertised. Finally, the audit committee requested that we review the potential for overlapping services in those areas where municipalities provide transit services. We found the following:

Finding #1: The MTA did not perform extensive analysis and planning before establishing sectors.

Before implementing service sectors, the MTA did not conduct any cost-benefit analyses or fiscal projections, nor did it fully consider alternatives to sectors. 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. The MTA's limited analysis in planning for sectors has reduced its ability to measure the effectiveness or efficiency of its sector implementation.

We recommended that the MTA 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.

MTA Action: Pending.

The MTA states that if significant organizational restructuring is considered in the future, MTA management will take into consideration the recommendations for cost-benefit analysis based on the implementation timeline for the study.

Finding #2: The MTA transferred some existing problems to the new service sectors' operations.

The MTA transferred some existing problems to the new service sectors. Specifically, we found the following:

- 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. 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 the costs of some support functions 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.
- 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. This methodology is accurate when used to calculate total annual ridership for the MTA as a whole, but it becomes increasingly inaccurate and therefore meaningless for decision making when used to calculate ridership for smaller levels, such as sector ridership numbers, 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.

We recommended that the MTA continue its efforts to track all costs associated with sector operations and to identify the actual savings generated. Further, we recommended that the MTA continue its efforts to improve its computation of boarding data.

MTA Action: Partial corrective action taken.

The MTA states that it completes cost-per-hour reports for each sector and for the bus system on a quarterly basis. Further, it developed key performance indicators that are tied to financial reporting, and MTA management, including sector general managers, are meeting monthly to review performance reporting and financial reporting as compared to budget. However, as we discussed in our audit report, the MTA had problems calculating actual amounts saved by sectors because the MTA did not allocate the costs of some support functions to the divisions using the services. Although during the audit, MTA stated that it planned by July 2004 to create a new method for allocating these costs, its December 2004 response does not specifically address this issue. With respect to our recommendation that the MTA continue its efforts to improve its computation of boarding data, the MTA reports that its new advanced transportation management system is almost completely installed on its bus fleet. The MTA expects that the passenger counting feature of this system will improve boarding data. Additionally it completed a pilot implementation of the universal fare system at a sector in September 2004. The MTA anticipates that the universal fare system, which provides validating fare boxes on buses, also will enhance boarding data.

Finding #3: The MTA has not communicated adequately with its governance councils regarding some pertinent issues.

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. Specific areas our audit identified include the following:

- 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, the MTA has certain limitations that prevent it from calculating these savings, and it has not communicated these limitations to the various governance councils. Further, the MTA board of directors retains final authority for approving budgets, and it has not yet addressed the issue of where cost savings, once it becomes possible to calculate them, will be spent. Nonetheless, some sector general managers may have established erroneous expectations with their governance councils that the MTA at present cannot fulfill.
- The MTA provided limited training to governance councils in two areas that could limit the councils' ability to make service changes: the MTA's consent decree and union contracts. 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. Governance council members could become frustrated if they attempt to make service changes that the MTA's headquarters subsequently overturns because of consent decree violations. Further, because of provisions in one union contract, governance councils face limitations in cutting some services if they expect municipal operators to pick up these lines.

We recommended that the MTA 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.

MTA Action: Partial corrective action taken.

The MTA reported that MTA management and sector members met in June 2004 to discuss roles and responsibilities of the governance councils, performance and budgetary goals, and upcoming governance council meetings. Board members were also invited to attend if available. Additionally, the MTA reported that in July 2004 a meeting was held between MTA board members and the governance council chairs. However, the MTA's December 2004 response did not specifically address the extent to which information on limitations

relating to the MTA's problems in calculating sector savings, as well as information on the consent decree and union contracts, have been discussed.

Finding #4: Weaknesses exist in the methods the MTA uses to advertise governance council meetings.

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. Specifically, we found the following:

- The MTA does not run print advertisements of governance council meetings 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.
- The brochures that the MTA designed for specific sectors lack information on the times and dates of governance council meetings. Additionally, 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.
- 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.
- 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. The only avenue the MTA currently 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). However, the MTA does not publish the fact that bus riders can get sector-related information from staff members through this number.

We recommended that the MTA ensure that it uses appropriate and sufficient means of communicating to bus riders information on governance councils and sectors. For example, we recommended that the MTA 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, we recommended that the MTA consider adding information on governance council meeting times and locations to the brochures designed for specific sectors that it places on buses. It should also consider regularly advertising this information in newspapers.

MTA Action: Pending.

The MTA states that based on board review of communications and sector expenses, advertising revenues were reduced significantly in the budget for fiscal year 2004–05. The MTA retains advertising budget to support mandated advertising of the public meeting notices and for the sector monthly meetings, but other communication materials were not budgeted by the sectors. However, the MTA reports that it has developed links on its Web site for the service sectors and includes information in the news and information section on upcoming monthly governance council meetings.

Finding #5: The MTA needs to involve municipal transit operators in the formation of its new transportation system.

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. The MTA expects to begin implementing a new hub-and-spoke network by December 2004 and to complete the process by June 2006. However, the MTA only recently started its planning efforts and has not yet invited municipal operators to participate directly in these initial planning and brainstorming stages. Although MTA staff stated the MTA delayed the planned implementation of the new network, in part to conduct more outreach with the municipal transit operators, the MTA's current efforts have been limited to making brief presentations at meetings that municipal operators have attended. 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.

We recommended that the MTA continue its planned efforts to focus on eliminating duplicative routes to the extent possible. Specifically, we recommended that the MTA allow stakeholders, such as municipal transit operators, to participate directly in the planning process. If the MTA does not proceed with its restructuring plans, we recommended it 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.

MTA Action: Partial corrective action taken.

The MTA reports that it completed the initial stakeholder outreach to begin the analysis of bus service restructuring. This involved the participation of municipal operators, bus sector governance workshops, community meetings, and individual meetings with board members and cities with the county of Los Angeles. The MTA is currently in the planning phase, which includes the identification of hubs, service proposals, defining options or alternatives to baseline services, external review by stakeholders, and developing the critical path for implementation.

