

CITY OF LOS ANGELES
INTER-DEPARTMENTAL MEMORANDUM

Date: March 13, 2024

To: Honorable City Council
c/o City Clerk, Room 395, City Hall
Attention: Honorable Heather Hutt, Chair, Transportation Committee

From: Laura Rubio-Cornejo, General Manager 
Department of Transportation

Subject: **TRANSIT DRIVER WAGE INCREASES**

SUMMARY

In response to Council File (CF) [18-0244-S3](#), this report provides an overview of the transit driver shortage, its impact on the Los Angeles Department of Transportation's (LADOT) DASH and Commuter Express services, and steps LADOT and its contractors are taking to address the issue. In response to these findings, LADOT seeks to amend its Transit Operating Contracts to increase cost ceilings and increase driver wages across all contracts.

RECOMMENDATION

That the City Council, subject to approval by the Mayor, DIRECT LADOT to work with the CAO to amend the existing Transit Operating contracts with MV Transportation, Inc. (C-140036, C-140191, and C-140192) and MV Public Transportation, Inc. (C-134340 and C-134341) by updating the hourly rate exhibits to reflect a recommended increase in driver wages.

BACKGROUND

LADOT owns the vehicles used for the City's transit services, including DASH, Commuter Express, Cityride, and LAnow, but operates these services through contractual services. MV Transportation, Inc. operates the North Region DASH/Commuter Express (C-140191), South Region DASH/Commuter Express (C-140192), and Cityride (C-140036) contracts. MV Public Transportation, Inc. (a wholly-owned subsidiary of MV Transportation, Inc.) operates the Downtown DASH (C-134341) and the Mid-City DASH/LAnow (C-134340) contracts. These contractors (MV) are responsible for hiring and training drivers to operate their respective services. Each contractor included driver wages in their response to LADOT's Request for Proposals (RFP), which reflect collective bargaining agreements between MV and the Teamsters Union Local No. 848 and Teamsters Union Local No. 572. Wages are then set by contract.

Since 2020, changes in labor markets have negatively impacted transit agencies' and operators' hiring and retention rates nationwide, including those LADOT contracts with to provide transit operations. Rates for drivers providing LADOT transit services are among the least competitive in the region, resulting in staffing shortages, impacted service, and significant delays in route on-time performance. Due to the shortage of drivers, LADOT Transit delayed the implementation of several initiatives funded and approved by the City Council under the 2018 Transit Service Analysis (Council File # [18-0244](#)). These

initiatives included updating route alignments Citywide, launching new DASH routes, and running Community DASH routes more frequently.

In February 2023, Council directed LADOT to report on the bus driver shortage and its effect on the City's contract transit services, including the number of bus operator vacancies per contract, any ongoing reduction in service that the public is experiencing, the estimated cost of any recommended contract driver wage increases, and the fiscal impact on Council-approved initiatives, as well as other efforts LADOT is taking to address the national bus driver shortage situation.

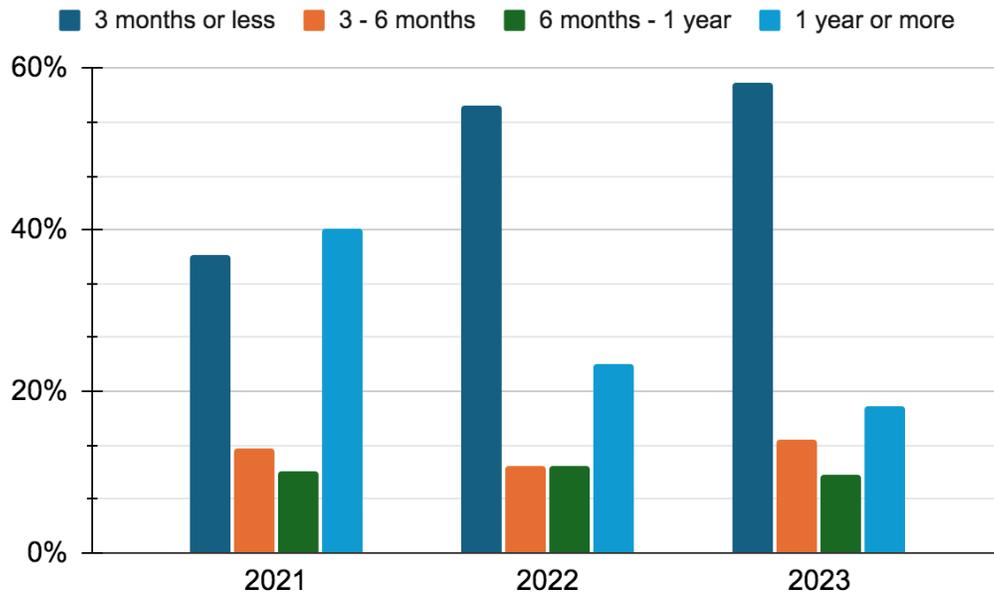
DISCUSSION

Following the declaration of a state of emergency due to the COVID-19 pandemic in March 2020, LADOT implemented a number of actions aimed at minimizing exposure to COVID-19 and improving service reliability. These actions included limited passenger capacity on buses, reduced operating hours on select DASH routes, cut the frequency of Commuter Express routes in half, suspended LANow and a small number of shuttle services and DASH routes such as short line or special destination versions of other routes. In response to these changes, MV moved some drivers to part-time schedules or assigned them to emergency response services, but did not lay off any drivers due to the reduction in planned revenue service hours.

However, since the start of the pandemic, more drivers have called off work or could not work due to underlying health conditions, COVID-19 infection or exposure, childcare needs, or other issues. In addition to callouts, 1,283 drivers separated from employment across all five contracts between 2020 and 2023, which is roughly half of all drivers employed for any duration during that time period, including new hires who chose not to stay with the company. MV employs over 600 drivers to provide LADOT Transit service citywide, but following initial separations of tenured drivers, the high turnover rate for new hires prevented the company from reaching full staffing levels. Due to the shortage in drivers, from July 2021 through December 2022 an average of 15% of scheduled DASH trips citywide were not delivered, resulting in missed trips and longer wait times for transit passengers.

While LADOT Transit's contractors have made strides in hiring to fill vacancies, retention of those newly hired drivers is now the greatest obstacle facing the operators. As recently as 2021, the largest share of employees leaving the company had a year or more of tenure, but throughout 2022 and 2023 more than half of all drivers who separated from employment had been with the contractor for less than three months. In 2023, slightly less than 60% of newly hired drivers left the company within 3 months and over 80% left the company within the first year of their employment (see Figure 1 below for more detail). Training expenses amount to over \$5,000 for each new driver, encompassing training staff hours, licensing, certifications, and materials. These expenses are paid for with City funds, but the existing contract budgets did not account for this higher rate of employee turnover and the additional training expenses incurred as a result.

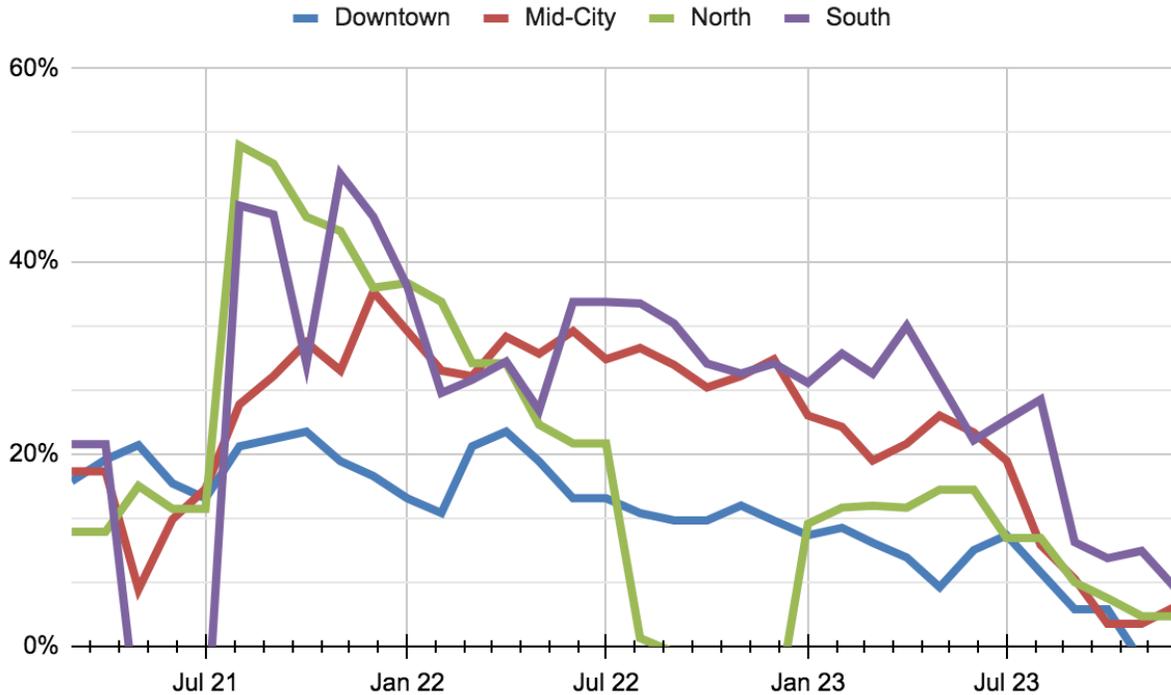
Figure 1: Employee Separations by Tenure (Systemwide)



Based on MV exit interviews, the most frequently stated reasons employees left the company since 2020 were due to either personal or family reasons (27%), while others took up employment opportunities elsewhere (20%). Separations and retirements occurred throughout this time period and include employees who started and ended their employment in 2020.

Although driver hiring has improved, the shortage of drivers was at its peak system-wide in late 2021 and early 2022. In November 2021, all four bus service regions experienced a shortage of more than 20% of the drivers needed to provide scheduled service, with the South and Mid-City Regions repeatedly experiencing shortages of over 35% of drivers (see Figure 2).

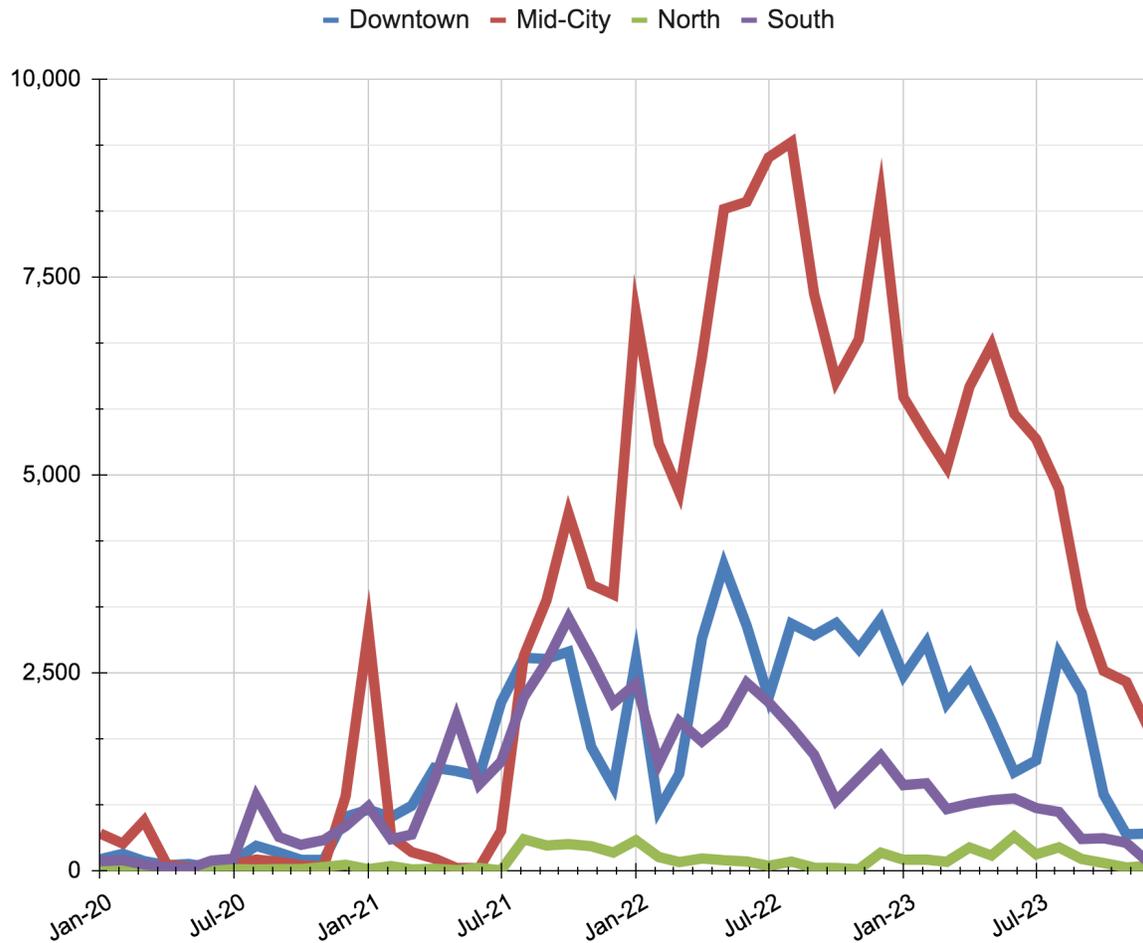
Figure 2: Driver Shortages Per Month by Region/Contract (DASH and Commuter Express)



Most LADOT transit yards continue to experience a shortage of staff. In such situations, supervisors operate buses when employees call out sick or take time off. Often, too many drivers are absent, and not enough supervisors or backup drivers are available to cover each route. Services operating under older contracts with lower starting wages for new hires continue to experience greater impacts on hiring rates than those with higher starting wages.

Due to the shortage of drivers to deliver service as scheduled, LADOT Transit continues to experience missed or canceled trips and delays in bus arrival times on its fixed-route services. These delays and missed trips occur citywide and vary from day-to-day depending on driver schedules, call-outs, and vacancies. The problem became more severe after LADOT returned to full passenger capacity in April 2021 and full-service schedules in July 2021. The greatest impact was on Mid-City DASH routes (route locations detailed in Attachment 1), which retain the highest-ridership routes in the system but experience the greatest number of vacancies for bus drivers. On average, over 7,500 trips on Mid-City DASH routes were missed each month between March 2022 and December 2022 (see Figure 3). Systemwide, LADOT Transit missed 15% of its scheduled trips on average throughout 2022.

Figure 3: Missed Trips Per Month by Region/Contract (DASH and Commuter Express)



LADOT cannot return service to pre-pandemic levels or meet the demands of expanded transit without improved driver recruitment and retention.

The shortage of drivers has not only affected the existing services but also delayed the implementation of planned service changes as part of LADOT’s Transportation Service Analysis (TSA). LADOT Transit successfully launched new routes in Sylmar and North Hollywood, which operate out of the North Region transit yard, which retains the highest number of operating staff. However, LADOT delayed the implementation of planned new routes in Canoga Park, Pacoima, Boyle Heights, Chinatown, and Downtown due to a shortage of drivers. LADOT also delayed recommended route alignment improvements and increases in bus frequency across DASH routes citywide, as well as the re-launch of the Griffith Park Parkline shuttle (funded by the Department of Recreation and Parks) due to lack of staff to provide not only existing scheduled service but expanded service as well.

Current Driver Recruitment Strategies

To attract a wider pool of potential employees and increase retention, MV invested in advertising, hired new staff focused on employee recruitment, and implemented sign-on bonus payments ranging from \$2,500 to \$5,000, as well as bonuses for existing staff who refer new hires to the company. The company also increased participation in hiring fairs and events, and introduced new options for training and scheduling.

To promote diversity and recruit drivers, MV engaged an external consultant that specializes in connecting with and recruiting candidates in under-represented communities. The company also hired a full-time community outreach recruiter to proactively go out into identified Los Angeles communities and establish relationships with new partners who can refer candidates to MV such as non-profits, churches, affinity groups, etc. Moreover, MV is expanding its advertising campaign to include direct recruiting on social media and sponsored partnerships that prioritize MV's placement on job boards. These efforts target several demographics, including the 35% of MV's existing driver workforce that is female.

However, LADOT's transit operating contractors are limited in what they can offer to potential new hires by the service agreements and hourly rates proposed in 2019, 2020, and 2021. MV described obstacles in recruiting new drivers such as the lengthy process of obtaining City driver permits during the training period, job site geographic locations (some operating yards are more popular than others), and competition for employees with a changing and expanding pool of industries and employment options. In addition to facing competition for new hires from other industries that saw sizable pay increases over the last two years, MV is now significantly less competitive with other operators and agencies hiring transit drivers across the region due to the lower pay rates.

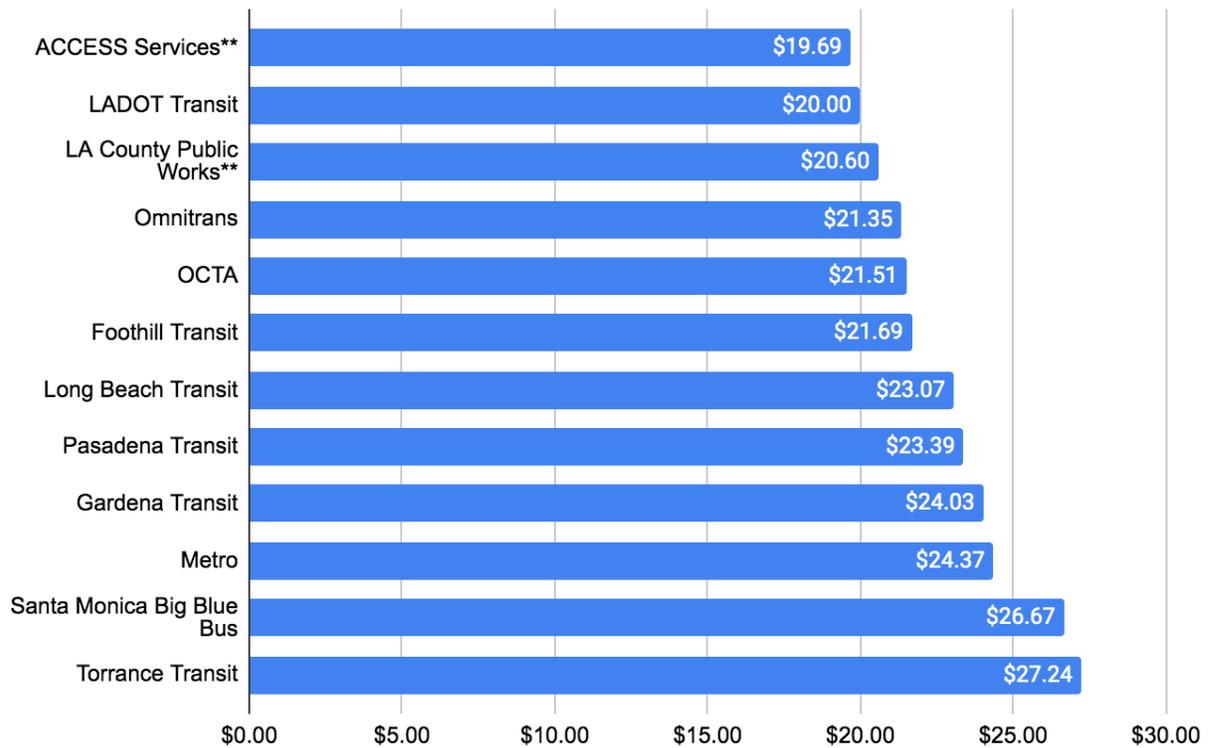
As a result, MV struggles to maintain the current level of service and has not been able to hire and retain enough drivers at the other operating yards and programs. Of MV's LADOT contracts, only the North Region is now nearly fully staffed to maintain the existing level of scheduled service.

Transit Driver Employment Market Regional Context

LADOT received federal pandemic relief funds in 2020 under the CARES Act (Coronavirus Aid, Relief, and Economic Security Act) to implement temporary wage increases for contracted transit drivers, to bring those under older contracts up to the same rate as the newer contracts (the current \$20 per hour starting wage), as they provided essential services throughout the pandemic. However, this was not a permanent pay increase, and is not memorialized in LADOT's operating contracts. While other transit agencies that hire drivers directly have more flexibility to change wages, interface directly with collective bargaining units, and react to market changes much more quickly than agencies that contract out services, MV is limited to their original cost proposals contracted in 2019, 2020, and 2021.

The hiring landscape has undergone significant changes since MV's contracts were executed. Due to economic conditions and lower unemployment rates, employers are competing more fiercely for hourly employees, leading to changes for hourly employees across many industries. While MV's hourly rates agreed upon in each contract were more competitive at the time they were executed, the rates no longer align with inflation and starting wages at competing agencies. Starting wages for drivers providing LADOT transit service are now among the lowest in the region (see Figure 4).

Figure 4: Starting Wages for New Drivers in Greater Los Angeles Region*



* Table does not account for signing bonuses and other incentives

** Rates are averages across multiple contractors

The starting wages for new drivers across all MV contracts with LADOT Transit are \$20 per hour (pay scales with yearly increases vary from contract to contract), which has remained unchanged from what was planned since the onset of the COVID-19 pandemic. This low wage is causing difficulty in hiring and retaining staff since other agencies or providers offer starting wages varying from \$19.69 to \$27.24 per hour, with an average of \$22.86 per hour, depending on the candidate's experience.

The skyrocketing inflation in recent years has further eroded the purchasing power of driver wages. For example, from 2020 to 2023, the inflation has risen by 19.2%¹. During the same period, the starting hourly rates for transit drivers at LADOT’s Downtown and Mid-Cities regions only increased by 14.7% (going from \$15.68 per hour in 2020 to \$17.99 per hour currently). As employees seek out employment that will keep up with inflation, transit providers now compete not only with other local transportation providers but also with retail, warehouses and delivery, and transportation network companies, which may offer different incentives such as more flexible work hours or locations.

Changes in prevailing wages in other industries have led these companies to recruit from the same pool, including anticipated competition from the fast food industry which will see an increase in the minimum wage to \$20.00 per hour beginning April 1, 2024. Additionally, candidates who obtain their Commercial

¹ Based on Consumer Price Index (CPI-U) provided by the U.S. Department of Labor Bureau of Labor Statistic, <https://www.usinflationcalculator.com/>

Drivers License through working for a transit agency may go to competing industries, like heavy truck driving, which offers similar starting wages of around \$20.00 per hour. However, these industries also provide benefits such as not working on holidays and more schedule flexibility.

Recommended Contract Cost Changes

The contracted rate for revenue service hours in each of MV’s contracts includes the hourly wage for drivers, employee benefits, administrative costs, and facility maintenance. LADOT cannot directly increase wages for drivers without amending its existing operating contracts. Through contract amendments, MV could increase driver wages through performance bonuses, by providing pay increases to new hires in their first two years of service, by raising the base pay to \$24.15 per hour for all drivers across all contracts, or all of the above. Table 1 outlines the cost estimate to implement all outlined strategies across each contract.

Table 1: Estimated Contract Cost Increases by Fiscal Year

Contract	Term	FY 23-24*	FY 24-25	Total
		Base Rate \$24.15/hr	Base Rate \$25.36/hr	
C-134341** (Downtown DASH)	Nov. 1 2019 - Oct. 31 2024	\$1,867,924	\$1,867,924	\$3,735,847
C-134340** (Mid-City DASH)	Nov. 1 2019 - Oct. 31 2024	\$2,430,846	\$2,430,846	\$4,861,692
C-140191 (North DASH & CE)	May 1, 2022 - April 30, 2025	\$711,840	\$1,985,556	\$2,697,396
C-140192 (South DASH & CE)	May 1, 2022 - April 30, 2025	\$818,588	\$2,278,758	\$3,097,346
C-140036** (Cityride Paratransit)	Apr. 2, 2022 - Feb. 1, 2025***	\$447,844	\$1,423,362	\$1,871,206
Total		\$6,277,042	\$9,986,446	\$16,263,487

*Assumes wage increases go into effect March 1, 2024
 **Includes wage increases for other non-driver staff
 *** Contract has optional extensions which, if exercised, would necessitate additional cost increases for future fiscal years. Estimate for FY 24-25 assumes one-year extension is exercised.

FINANCIAL IMPACT

There is no impact to the General Fund at this time. Transit operations are currently funded by the Proposition A Local Transit Assistance Fund.

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 Attachments