



Metro

DRAFT
FINANCE AND BUDGET COMMITTEE
May 14, 2008

SUBJECT: FISCAL YEAR 2009 BUDGET

ACTION: ADOPT THE PROPOSED FISCAL YEAR 2009 BUDGET

RECOMMENDATION

- A. Adopt the proposed Fiscal Year 2009 (FY09) budget as presented in the budget document (provided as a separate transmittal) which also includes a \$6 million reserve for safety and security-related emergencies;
- B. Approve the life-of-project budgets for all new capital projects as presented in the proposed budget document;
- C. Approve the total budgeted salaries and benefits for each union/non-contract group (included in Attachment A) as required by the Position Authorization and Compensation policy;
- D. Approve the non-represented employee salary schedule adjusted for the annual inflationary increase (included in Attachment B) as required by the Position Authorization and Compensation policy;
- E. Approve the safety and security budget (included in Attachment C) as required by the Financial Stability policy adopted by the Board in January 2008;
- F. Amend the proposed budget to add 256,000 revenue service hours (detailed in Attachment D) to Metro Bus Operations funded with \$20.5 million of CNG Fuel Credits;
- G. Amend the proposed budget to add \$100,000 to the Safety and Security department funded by a Homeland Security grant to provide regional transit security awareness training;
- H. Amend the proposed budget to add 1 FTE to Construction and 1 FTE to Countywide Planning and \$250,000 for sustainability activities funded with General Fund revenues (as detailed in Attachment E);
- I. Amend the proposed budget to add 1 FTE to Construction to manage the I-405 Sepulveda Pass Widening Project (HOV) funded with revenues received from State and Federal Grants;
- J. Amend the proposed budget to add 1 FTE to Communications and \$500,000 to the Eastside Extension Enhancements Project for the Safety Education and Outreach program increasing the life-of-project budget by \$617,000 from

\$42,000,000 to \$42,617,000 and funding the additional expense with STA Population share – Rail funds;

- K. Amend the Position Authorization and Compensation Policy authorizing the Chief Executive Officer to approve all non-contract salaries up to \$200,000, for new hires, reclassifications, salary equities and adjustments and the creation of new non-contract classifications.
- L. Approve the salary for one Service Sector General Manager effective July 1, 2008.

ISSUE

The Financial Stability policy approved by the Board in January 2008 requires that the Board approve a budget by June 30 of the preceding fiscal year. Copies of the proposed budget are available in the Board Secretary's office, on the internet at Metro.net and have been made available to the public.

POLICY IMPLICATIONS

The annual budget is the legal authority to obligate and spend funds and implements previous Board policy. It includes all operating, capital, debt service requirements, and general fund activities for the fiscal year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental and proprietary funds except that depreciation is not budgeted. Budget detail is a management plan for financial activity and is prepared at the fund, project, department, and expense/expenditure level. The legal level of control is at the fund level. Total annual expenditures cannot exceed the final appropriation adopted by the Board except for capital expenditures that are authorized on a life-of-project basis.

ALTERNATIVES CONSIDERED

Adopt a continuing resolution until such time as the FY09 budget is adopted. This is not recommended because it may cause delays for departments who have used their FY08 funds and do not yet have FY09 budget authority.

FINANCIAL IMPACT

The proposed FY09 budget totals \$3,370.1 million of expenditures (excluding defeased leases of \$18.1 million) and appropriates the resources necessary to fund them. The annual expenditure plan, as amended by this report, demonstrates our capacity to meet capital and operating obligations, a requirement necessary to receive subsidies from the state and federal governments.

DISCUSSION

Financial Assumptions

The budget is comprised of two primary funds. The Enterprise Fund includes all business-type activities such as bus and rail operations, capital projects and debt service and is proposed to be budgeted at \$2,203 million. The Governmental Fund includes activities such as Special Revenue administration (subsidies to others), Propositions A and C and TDA administration, and General Fund activities and is proposed to be budgeted at \$1,144 million. The budget also includes an Agency Fund, Benefit Assessment District, of \$23.1 million.

The FY09 proposed budget major assumptions and highlights are the following:

- Sales tax revenues will increase by 1.11% which is the February 2008 UCLA forecast for sales tax growth in Los Angeles County and adopted by the Board in February 2008 with the FY09 Business Planning Parameters;
- Fare revenues are budgeted at \$0.66 per boarding, consistent with a 2.5% increase in boardings;
- Bus and rail operating expenditures grow by \$49.4 million or 4.2% over the FY08 budget. All departments were required to budget non-labor, non-capital expenditures at the FY08 ten-year forecast level unless new contracts were approved by the Board during FY08; and
- Salaries will increase 4% for all employee groups, in accordance with the union contracts.

Capital Program

The proposed budget includes the capital program life-of-project (LOP) budgets for all capital projects. Projects that are under \$1 million, projects that are unchanged from prior year and new projects that are less than \$5 million are identified in the budget book and approved with Board action on the proposed budget. Projects that are greater than \$1 million with LOP budget increases and new projects in excess of \$5 million were approved by the Board in separate Board actions.

FTEs and Labor Budget

The proposed budget authorizes 9,139 full-time equivalent positions (FTEs), which is an increase of 46 FTEs from the FY08 budget. Of these FTE increases, 32 FTEs are contract positions, UTU, AFSCME, TCU and ATU, and 14 are non-contract positions. Twenty-six of the additional FTEs are required to prepare for revenue operations on the Gold Line Eastside extension, scheduled to open in July 2009. When these FTEs are annualized in FY10, a total of 63 FTEs will be added as a result of the Gold Line Eastside Extension. Other positions were added to Communications to implement the program to increase ridership, to Metro Rail for wayside maintenance and to Construction to support construction safety.

The agency-wide labor and benefits for all union and non-represented FTEs is included in Attachment A. Overall, the labor and benefits budget increased by \$37.8 million, which includes Board approved salary and wage increases, new FTEs and includes the impact of salary reclassifications approved by the Board and/or the CEO.

The non-represented salary schedule is adjusted annually to accommodate inflationary increases and approved by the Board during budget adoption. There is no financial impact to this action but it provides management with the approved salary ranges for hiring new employees and promoting existing employees.

Position Authorization and Compensation Policy

The salary approval level for the Chief Executive Officer (CEO) has not been increased since 2006. Staff surveyed other major transit agencies in the nation and compared their pay ranges and salaries for comparable positions. The results of the survey showed that current market conditions and our existing organizational structure demonstrate that there is a need to increase the CEO's approval authority in order to have more flexibility in pursuing and retaining skilled professionals for critical positions.

Therefore, staff is recommending that the Board amend its Position Authorization and Compensation Policy to provide CEO approval authority for salary authorization up to \$200,000.

Salary Equity Adjustment

The Proposed Budget includes the following recommendation for a salary equity adjustment for one Service Sector General Manager.

\$207,280 (9.9% salary increase) for one Service Sector General Manager – effective July 1, 2008

One Service Sector General Manager classification (salary grade BB) has been modified to include additional responsibilities. In addition to the regular Service Sector General Manager duties, this one position is responsible for assisting the Chief Operations Officer in the following:

- 1) providing consistency standards to the other Service Sector General Managers, and to the Facilities Maintenance and Central Maintenance functions;
- 2) ensuring operational and maintenance consistency, and fleet standardization across all sectors;
- 3) developing the long-range operations capital plan as it pertains to bus and vehicle procurements and bus and facility rehabilitation programs; and
- 4) leading efforts to leverage fleet and fleet maintenance technology across all Service Sectors to achieve further efficiencies in customer service and reduction in operating costs.

The position and the new responsibilities were evaluated by Human Resources and it was determined that the additional responsibilities warranted the recommended adjustment.

Strategy for Mitigating Expenditures

The Financial Stability policy adopted by the Board in January 2008 states the following: “Endeavor to keep growth in regional bus and operating expenses (as measured by a rolling average of growth in bus and rail operating cost per vehicle hour) at or below the rate of inflation. A proposed strategy for mitigating expenditures will be presented to the Board at the time of annual budget adoption.”

Mode	FY08 Cost Per RSH	FY09 Cost Per RSH	% Increase
Bus	\$118.78	\$128.97	8.6%
Rail	\$366.35	\$375.07	2.4%

The bus cost per revenue service hour (RSH) as presented in the proposed budget book increased by 8.6% from FY08 to FY09. Revenue service hours decreased by 4%, even though passenger capacity increased due to purchasing articulated and 45 foot buses, while expenses increased by 4.2%. UTU wages and fuel usage were decreased as a result of the service changes. These amounts will be revised as a result of the budget amendment to increase the RSH. The continued hedging of CNG fuel results in a budget of \$.90 per therm which is the same price per therm as the FY08 budgeted amount.

The rail cost per revenue vehicle service hour increased by 2.4% in spite of the wage increase of 4% and growth in FTEs. Rail reduced professional services, utilities (excluding propulsion power) and Metro Red Line parts. These expense decreases combined with a 2% increase in hours resulted in the budgeted cost per revenue vehicle service hour.

Security Reserve and Contingency Plan

A security reserve of \$6 million is being proposed to provide funds for unforeseen emergencies, such as heightened alert levels, or to be used for local match if we receive unexpected homeland security grants. This reserve is funded with Prop C 5% security funding that would normally be programmed to us for security purposes. The reserve fund will only be accessed during the fiscal year after Board approval for the specific expenditures.

The FY09 budget includes \$125.3 million of STA 99314 (Revenue Share) and \$101.9 million of STA 99313 (Population Share) per the January budget published by the State. If the full amount of STA funds is not received due to State budget deficits, we will return to the Board to discuss options for providing alternative funding for us and for the municipal operators. These options may include a combination of strategies such as programming Prop C40% fund balances, distributing interest fund balances, deferring capital projects, or borrowing to continue in-progress capital projects.

Budget Amendments/Changes Since Proposed Budget Was Published

Subsequent to preparation of the FY09 proposed budget several modifications have been submitted for inclusion in the budget. Those modifications are detailed below:

Increase the Bus Operating Revenue Service Hours – At the April meeting, the Board adopted a motion to increase the FY09 budgeted revenue service hours by 256,000 hours. These additional hours will be funded with \$20.5 million of CNG Fuel Credits that are currently identified in the FY09 proposed budget to be set aside as a bus operating reserve. This amendment will modify the budget indicators discussed above so that the revenue service hour decrease from the FY08 budget will be 0.8%, the expense increase will be 6.4%, and the cost per revenue service hour will be \$127.34.

Homeland Security Grant - \$100,000 is requested to increase the Safety and Security budget funded by Homeland Security grant funds. The \$100,000 is in addition to \$300,000 already budgeted for the regional transit security awareness training in the FY09 budget.

Sustainability Program – Two FTEs and \$250,000 is requested to provide support and funding for implementation of the Sustainability Program. The funds will be used to implement a short-term and long-term set of projects that promotes sustainability in the three areas of air quality and greenhouse gases management, renewable energy and energy conservation, and energy efficiency and associated sustainability programmatic support efforts, such as in the areas of design criteria and environmental management systems. A description of the roles and responsibilities of the two FTEs is shown on Attachment E.

I-405 Sepulveda Pass Widening Project (HOV) – One FTE is requested to manage the I-405 Sepulveda Pass Widening Project. This project will be managed by an integrated project management team under the direction of this FTE. The FTE will be a highly specialized project manager with highway construction experience. The FTE will be funded with project revenues received from State and Federal grants.

School Training on the Gold Line Eastside Extension – One FTE and \$500,000 is requested to be added to the Metro Gold Line Eastside Enhancements project budget for the Communications Strategic Business Unit to provide two presentations before commencing revenue operations at 78 locations for 78,915 students. Funding includes site-specific video modules, key crossing rail ambassadors at six locations for six weeks, deployment of the Metro Experience Mobile Theater campaign at a location every day for three months prior to opening, and community walking tours for adults, families, and organizations. This action will increase the life-of-project budget for project #800288, Eastside Enhancements by \$617,000 from \$42,000,000 to \$42,617,000. The funding for these activities will be STA Population share – Rail funds.

NEXT STEPS

Monitor the FY09 actual expenditures versus the adopted budget on a monthly basis and provide quarterly updates to the Board.

Attachments

- A. Proposed Salary and Benefits by Union Group
- B. Non-Represented Employee Salary Schedule
- C. Proposed Security Budget
- D. Revised Revenue Service Hours
- E. Sustainability Program

Prepared by: Michelle Lopes Caldwell
Executive Officer, Office of Management and Budget

Terry Matsumoto
Chief Financial Services Officer
and Treasurer

Roger Snoble
Chief Executive Officer

ATTACHMENT A

Proposed Salary and Benefits by Union Group

	FY08 Amended Budget	Changes	Chg%	FY09 Proposed
1 UTU Labor				
2 FTE's	4,255	5	0.1%	4,260
3				
4 Salary	\$190,641,757	\$3,280,825	1.7%	\$193,922,581
5 Overtime and Transitional Duty	67,273,745	1,183,680	1.4%	68,457,426
6 UTU Fringe Benefits	93,708,299	708,216	0.8%	94,416,515
7 Total UTU Labor	\$351,623,801	\$5,172,721	1.5%	\$356,796,522
8				
9 ATU Labor				
10 FTE's	2,171	18	0.8%	2,189
11				
12 Salary	\$116,509,135	\$9,100,213	7.8%	\$125,609,347
13 Overtime	13,099,550	293,354	2.2%	13,392,903
14 ATU Fringe Benefits	61,495,896	2,713,927	4.4%	64,209,823
15 Total ATU Labor	\$191,104,580	\$12,107,494	6.3%	\$203,212,074
16				
17 TCU Labor				
18 FTE's	700	3	0.4%	703
19				
20 Salary	\$30,315,362	\$1,747,812	5.8%	\$32,063,174
21 Overtime	2,609,099	95,504	3.7%	2,704,603
22 TCU Fringe Benefits	15,556,029	207,707	1.3%	15,763,736
23 Total TCU Labor	\$48,480,490	\$2,051,023	4.2%	\$50,531,513
24				
25 AFSCME Labor				
26 FTE's	589	6	1.0%	595
27				
28 Salary	\$42,506,597	\$2,313,564	5.4%	\$44,820,161
29 Overtime	3,508,007	113,130	3.2%	3,621,136
30 AFSCME Fringe Benefits	14,673,973	1,713,873	11.7%	16,387,845
31 Total AFSCME Labor	\$60,688,576	\$4,140,566	6.8%	\$64,829,143
32				
33 TEAMSTERS Labor				
34 FTE's	81	-	0.0%	81
35				
36 Salary	\$3,533,840	\$212,279	6.0%	\$3,746,119
37 Overtime	954,684	539,703	56.5%	1,494,387
38 TEAMSTERS Fringe Benefits	1,521,425	46,136	3.0%	1,567,561
39 Total TEAMSTERS Labor	\$6,009,949	\$798,118	13.3%	\$6,808,066
40				
41 NC Labor				
42 FTE's	1,297	14	1.1%	1,311
43				
44 Salary	\$103,762,086	\$7,108,072	6.9%	\$110,870,158
45 Overtime, As-needed and Interns	2,731,911	974,832	3.3%	3,706,743
46 NC Fringe Benefits	34,725,056	5,459,826	15.7%	40,184,882
47 Total NC Labor	\$141,219,053	\$13,542,730	9.6%	\$154,761,784
48				
49 Agency-wide				
50 FTE's	9,093	46	0.5%	9,139
51				
52 Salary	\$487,268,777	\$23,762,763	4.9%	\$511,031,540
53 Overtime and As-needed, TDP	90,176,996	3,200,203	3.5%	93,377,199
54 Fringe Benefits	221,680,677	10,849,686	4.9%	232,530,363
55 Total Agency-wide Salary and Benefits	\$799,126,449	\$37,812,652	4.7%	\$836,939,101

ATTACHMENT B

Non-Represented Employee Salary Schedule

Pay Grade	HOURLY			ANNUAL		
	MINIMUM	MIDPOINT	MAXIMUM	MINIMUM	MIDPOINT	MAXIMUM
H1A	\$12.67	\$15.83	\$19.00	\$26,347.78	\$32,934.72	\$39,521.66
H1B	\$13.58	\$16.98	\$20.37	\$28,251.39	\$35,314.24	\$42,377.09
H1C	\$14.68	\$18.36	\$22.03	\$30,544.38	\$38,180.48	\$45,816.58
H1D	\$15.91	\$19.89	\$23.87	\$33,096.96	\$41,371.20	\$49,645.44
H1E	\$17.32	\$21.64	\$25.97	\$36,017.28	\$45,016.19	\$54,015.10
H1F	\$18.97	\$23.71	\$28.45	\$39,456.77	\$49,320.96	\$59,185.15
H1G	\$20.86	\$26.08	\$31.30	\$43,393.79	\$54,253.06	\$65,112.32
H1H	\$23.00	\$28.76	\$34.51	\$47,849.98	\$59,812.48	\$71,774.98
H1I	\$24.67	\$30.83	\$36.99	\$51,311.10	\$64,128.06	\$76,945.02
H1J	\$26.56	\$33.21	\$39.85	\$55,248.13	\$69,070.98	\$82,893.82
H1K	\$28.71	\$35.89	\$43.07	\$59,725.95	\$74,652.03	\$89,578.11
H1L	\$31.23	\$39.03	\$46.83	\$64,960.90	\$81,184.90	\$97,408.90
H1M	\$34.10	\$42.62	\$51.15	\$70,931.33	\$88,658.75	\$106,386.18
H1N	\$37.42	\$46.77	\$56.12	\$77,831.94	\$97,279.10	\$116,726.27
H1O	\$41.22	\$51.52	\$61.83	\$85,727.62	\$107,164.93	\$128,602.24
H1P	\$45.59	\$56.99	\$68.38	\$94,834.69	\$118,532.54	\$142,230.40
H1Q	\$50.66	\$63.32	\$75.97	\$105,369.47	\$131,695.62	\$158,021.76
H1R	\$55.07	\$68.83	\$82.60	\$114,541.44	\$143,171.39	\$171,801.34
H1S	\$58.44	\$73.04	\$87.65	\$121,550.21	\$151,932.35	\$182,314.50
H1T	\$60.73	\$75.91	\$91.10	\$126,309.25	\$157,902.78	\$189,496.32
HAA	\$64.60	\$80.76	\$96.91	\$134,377.98	\$167,972.48	\$201,566.98
HBB	\$68.58	\$85.72	\$102.87	\$142,641.41	\$178,301.76	\$213,962.11
HCC	\$91.64	\$112.84	\$134.04	\$190,621.18	\$234,707.20	\$278,793.22
HDD	\$114.71	\$139.95	\$165.19	\$238,600.96	\$291,101.82	\$343,602.69
HFF	\$138.65	\$169.16	\$199.66	\$288,397.82	\$351,844.48	\$415,291.14

ATTACHMENT C

Proposed Security Budget

	Category	FY09 Proposed
1	Administration ⁽¹⁾	\$1,897,643
2	Capital Projects	754,730
3	Homeland Security Grant Projects	6,108,526
4	Law Enforcement ⁽²⁾	56,501,089
5	Fare Inspectors ⁽³⁾	7,220,847
6	Law Enforcement - Metrolink	1,760,288
7	Law Enforcement - Munis	591,310
8	Metro Transit Police ⁽²⁾⁽³⁾	7,116,799
9	Private Security Contracts	3,749,172
10	Total	\$85,700,404

⁽¹⁾ Administration includes Non-contract (NC) direct labor, NC overtime, NC fringe benefits, NC workers' compensation, NC non-work time, professional and technical services, travel, seminar/conference fees, and office supplies.

⁽²⁾ Subject to change upon new Metro Security Program to be presented to the Board in early FY09

⁽³⁾ Metro Transit Police includes TEAMSTERS direct labor, overtime, fringe benefits, non-work time, uniforms, training programs and workers' compensation.

ATTACHMENT D

Revised Revenue Service Hours

	FY09 Revenue Service Hours	Estimated Marginal Operating Cost	Impact to FY09 Budget
1	June 2008 Service Reduction		
2	Trip Thinning	(215,000)	\$80
3	Limited Stop Service	(81,000)	\$80
4	Duplicate and Under Performing Lines	(148,400)	\$80
5	Owl Service	(7,600)	\$80
6			
7	December 2008 Service Reduction	(100,000)	\$80
8	Service Reduction Subtotal	(552,000)	\$80
9			
10	Six New Rapid Bus Lines	193,000	\$80
11	Conforming Three Existing Rapid Bus Lines	44,000	\$80
12	Service Increase Subtotal	237,000	\$80
13			
14	Total Service Changes (Reduction + Increase)	(315,000)	
15			
16	Add		
17	Duplicate and Under Performing Lines	148,800	\$80
18	Owl Service	7,600	\$80
19	December Service Changes	100,000	\$80
20	Total Service Added to FY09 Proposed Budget	256,000	\$80

ATTACHMENT E

Sustainability Program

The Transportation Sustainability Policy Manager (FTE 1)

Coordination Role:

1. Develop AB 32 guidance and targets with the Air Resource Board (ARB) and air quality policy with the South Coast Air Quality Management District (SCAQMD);
2. Develop Regional Transportation Plan guidelines for sustainability and climate change for AB 32 with the California Transportation Commission (CTC);
3. Develop land-use and fuels policies for AB 32 with the California Energy Commission;
4. Develop the California Environmental Quality Act (CEQA) guidelines for AB 32 with the Office of Planning and Research;
5. Develop policy and protocol with the California Climate Change Action Registry and the Climate Registry;
6. Develop all the other land-use TOD type elements and public-private partnerships with Business Transportation Housing;
7. Coordinate the development of transit industry policy and standards with APTA and other industry groups;
8. Coordinate with the Transportation Research Board and other research bodies who are developing policy and guidance;
9. Coordinate and develop new State and Federal Greenhouse Gas/Energy conservation related legislation affecting Federal Re-authorization, Federal Carbon-Cap and Trade, and other carbon finance mechanisms;
10. Coordinate as the point of contact and clearinghouse for 88 cities, county, and 20 special districts;
11. Liaise with other key public, private, and community stakeholders; and
12. Work closely with Transportation Sustainability Energy Manager to provide latest policy input, direction, and regulation germane to our business units.

Deliverables:

1. Protect and promote our interests in the development of various policies and programs;
2. Review and update Planning and Programming policies (Call for Projects, TOD, Long Range Plan, etc.);
3. Develop regional sustainability and Climate Change Action plan;
4. Develop and monitor regional Greenhouse Gas (GHG) emissions footprint;
5. Develop regional transportation performance indicators; and
6. Develop regional GHG input for Annual Sustainability Report.

ATTACHMENT E (continued)

The Transportation Sustainability Energy Manager (FTE 2)

Coordination Role:

1. Work closely with Transportation Sustainability Policy Manager to implement specific projects and programs germane to our business units.
2. Coordinate as the point of contact and clearinghouse for our business units.
3. Coordinate with Clean Fuel and Vehicle Efficiency standards groups and other similar groups;
4. Coordinate with green building industry groups and our business units;
5. Coordinate and develop Environmental Compliance standards and regulatory monitoring; and
6. Coordinate with energy conservation/recycling and resource reduction industry groups and other similar groups.

Deliverables:

1. Develop and monitor green construction, energy, and operations management programs;
2. Develop Green Procurement and maintenance programs;
3. Renewable energy and energy incentives programs implementation and monitoring;
4. Green fleet management best practices development;
5. Develop recycling and resource conservation programs;
6. Develop water and energy conservation programs;
7. Develop efficiency and performance metrics; and
8. Develop Corporate GHG input for Annual Sustainability Report.