



NEWS

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PROPOSED MTA FISCAL YEAR 1998-99 BUDGET CUTS OVERHEAD, IMPROVES TRANSIT SERVICES

CEO Julian Burke today unveiled a proposed MTA budget for Fiscal year 1998-99 that provides for more bus service, the start of Metro Rail subway service to Hollywood and funding for an array of local transit improvement projects from new carpool lanes to smart shuttles. The balanced budget also reflects significant savings in MTA's overhead and operating costs achieved through a reorganization program Burke began implementing after he was hired nine months ago to turn around the Los Angeles County transportation agency.

The spending plan is for the fiscal year that begins July 1, 1998. The total budget is \$2,513,255,000. This includes operating and capital expenditures, debt service, and subsidies for municipal bus operators in the county, Metrolink, ADA accessibility programs for the disabled and numerous local traffic improvements. The proposed FY 99 budget is slightly more than the reforecast FY 98 MTA budget of \$2,448,131,000 but less than FY 97 actual expenditures of \$2,612,351,000.

Despite budget constraints, Burke said MTA is determined to continue improving service. In FY 99 MTA will deploy a net gain of 83,000 transit service hours over this year. More buses will be added on busy MTA lines. The MTA expects to take delivery of up to 161 new compressed natural gas buses in the coming year and has funds to buy more if bus manufacturers can expedite delivery, Burke said. He noted the agency also is seeking \$25 million in new federal monies in FY 99 for new buses.

In FY 99 MTA also expects that all 127 sidelined alcohol fueled buses will be returned to service with new engines converted to run on clean diesel fuel.

Burke said he is hopeful a fare increase can be avoided in FY 99. Savings expected to accrue soon from reforms in the MTA's workers compensation program and other reorganization efforts would negate the need for a fare hike. More...

1st Add/MTA Budget

Since those savings have not yet materialized, the draft budget currently proposes that cash and token fares be raised by a dime as early as November 1 as permitted under the Consent Decree, a federal court agreement MTA signed in 1996 covering its bus service. Metro pass prices would not change.

Burke said he would postpone setting a mandatory public hearing by the MTA Board on a possible fare increase while he is working to lock in cost savings that would offset the need for raising fares.

Among budget highlights, the MTA CEO said the agency's administrative overhead has been reduced by almost two thirds during the past two years. The FY 99 MTA budget eliminates 198 positions of which 86 are vacant. Most of these are administrative positions. Transit operations overhead will be cut by 19 percent next year over this year's budget and by 40 percent compared to FY 97.

On the operations side, MTA will inaugurate Metro Rail subway service from downtown Los Angeles to Hollywood next spring. Construction of the extension to Universal City and North Hollywood will be completed the following year.

New rail construction to Pasadena, the Eastside, and Mid-City remain suspended. MTA staff and consultants are examining alternatives to improving public transportation in those corridors and throughout the county. These alternatives may include busways, light rail and elevated rail lines, and other options. An action plan is due for MTA Board consideration in October.

The draft FY 1999 MTA budget includes \$370 million for debt service on funds borrowed to buy new buses, continue construction of freeway carpool lanes, ongoing Metro Rail subway construction, and to meet the operating and capital needs of the Metro transit system.

MTA funding comes from farebox revenue, local and state sales taxes, other state and federal funds, and income from such activities as advertising and leases.

Burke, a corporate turnaround specialist, was hired by the MTA Board last August. Since that time he has done a major restructuring of the MTA to stabilize the agency and get its financial house in order.

More...

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Last fall the agency faced a projected \$90 million operating budget shortfall in FY 99. That has been completely offset through stringent reforms Burke has implemented at the MTA as well as by one-time measures.

"It has been my experience in turning around troubled companies that the first step is to move quickly to resolve the crises: stop bad management practices, focus on the core business, reduce unnecessary staff and programs, and cut expenditures," Burke said. "That is exactly what we have done during the past nine months."

Burke said a new corporate culture is taking root at the MTA.

"In this zero based budget we challenged every expenditure to make sure it was justified as necessary to support MTA's core work: Metro bus and rail operations, Metro Rail construction, and planning and programming funds for municipal and other operators in the county as well as an array of local transit improvement projects," Burke said.

One of the innovative approaches Burke used in drafting the budget was to draw more than 100 employees from the middle ranks of MTA and assign them to workout teams to glean every possible savings and come up with ways to generate new revenue through advertising, location rental, and other creative means.

The MTA will hold a budget workshop for directors and their staff on June 10, a public hearing on June 18, and a final budget Board meeting during the following week. Copies of the budget can be reviewed beforehand at the Records Management Center, plaza level, MTA headquarters, One Gateway Plaza by Union Station in downtown Los Angeles.