

**Metro**

FINANCE &amp; BUDGET COMMITTEE

June 17, 2004

**SUBJECT: FUNDING FOR FY05 CONSENT DECREE SERVICE****ACTION: APPROVE THE USE OF GENERAL FUND BALANCE FOR  
ADDITIONAL FY05 CONSENT DECREE SERVICE****RECOMMENDATION**

Approve the use of \$11.3 million of General Fund right-of-way lease revenues to fund the 208,250 hours of Consent Decree service to be implemented in FY05, as ordered by the Special Master.

**ISSUE**

The January 12, 2004 Final Order from the Special Master required the addition of 290,000 annual in-service hours by December 2004 for Consent Decree load factor compliance. Due to the timing of the service additions, 208,950 hours will be provided during FY05. Addition of this service requires that \$11.3 million of additional revenues be appropriated to the FY05 Enterprise Fund budget. At the meeting of June 7, 2004, the Board directed that Proposition A Discretionary Incentive Program fund balance not be used for this purpose.

**POLICY IMPLICATIONS**

Since there will be no additional farebox revenues or formula funds from the implementation of this additional service, funds must be appropriated from available fund balances. Using non-recurring revenue sources designated for future capital acquisitions will impair the capital improvement plan.

**OPTIONS**

The Board may wish to appropriate a different source of funds to the Enterprise Fund for this additional service.

**FINANCIAL IMPACT**

The staff recommendation will increase revenues in the FY05 budget in the Enterprise Fund to match the expenditures (service hours and FTE's) approved by the Board on June 7, 2004. The General Fund right-of-way lease revenues fund balance is designated in the ten-year forecast for bus capital and bus procurements in FY06-

FY13. Staff will review other options for funding the impacted projects, such as, project delays, revising project scope to lower expenditures, seeking additional federal and state revenues, and bond financing those projects that are eligible for long-term financing.

**BACKGROUND**

In the January 12, 2004 Final Order, the Special Master ordered the following: “If, however, the MTA does not identify specific funding sources from other programs to finance the additional capacity required to achieve load factor targets...then the Special Master will be obligated to make these determinations in the future in accordance with the procedures set forth...in the Consent Decree.” The Special Master could direct the MTA to use any of the following sources of bus eligible revenue to fund the consent decree service (detail provided in attachment):

|   | (dollars in millions) |
|---|-----------------------|
| Prop A Discretionary – designated for Incentive Program   | \$13.2                |
| Prop A Discretionary – growth over CPI  | \$27.3                |
| Prop C Discretionary  | \$42.7                |
| Prop C Discretionary – unspent MOSIP, encumbered by Muni Operators  | \$21.9                |
| TDA Article 4 – designated for Muni Operators & MTA   | \$133.5               |
| State Transit Assistance (STA) – designated for Muni Operators & MTA  | \$34.4                |
| General Fund Sales/Leaseback proceeds – designated for MTA capital projects such as bus procurements, Eastside, Div. 10 | \$33.7                |
| General Fund ROW Lease Revenues – designated for MTA capital projects, such as bus mid-life program, bus procurements * | \$68.7                |
|   |                       |
| TOTAL   | \$353.5               |

\* The FY05 ending fund balance has been reduced by \$23.9 million for the FY04 Enterprise Fund shortfall.

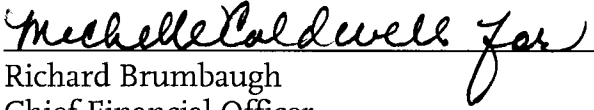
The staff recommendation to use \$11.3 million of General Fund ROW revenues will impact future bus capital and bus procurements. Staff will review these impacts as part of the overall review of the 10-year forecast to be completed by August 2004.

**NEXT STEPS**

Staff will add the revenues to the FY05 budget prior to the new fiscal year.

Attachment

Prepared by: Office of Management & Budget

  
Richard Brumbaugh  
Chief Financial Officer

  
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Chief Executive Officer

## FY05 ESTIMATED ENDING FUND BALANCE

(dollars in millions)

|                      | Fund Type/Uses & Applications   | Amount |
|----------------------|---|--------|
| <b>Proposition A</b> |   |        |
| 1                    | Administration  |        |
| 2                    | Designated for planning administration & legal settlements.                   |        |
| 3                    | Unused balance reverts back to original revenue source.                       | \$ 2.0 |
| 4                    |   | 2.0    |
| 5                    |   |        |
| 6                    | Incentive Program - 5% of 40% (Note 1)  |        |
| 7                    | Surplus revenues above requested expenditures                                 | 13.2   |
| 8                    |   | 13.2   |
| 9                    |   |        |
| 10                   | Discretionary - 95% of 40%  |        |
| 11                   | Santa Monica Municipal Bus Lines unspent FAP allocation (Note 2)              | 8.5    |
| 12                   | Other Munis unspent FAP allocation  | 3.5    |
| 13                   | FY05 Growth over CPI - Designated for MTA & Munis MOSIP in FY06               | 15.3   |
| 14                   |   | 27.3   |
| 15                   |   |        |
| 16                   | Rail - 35%  |        |
| 17                   | L.A. Car project in FY06  | 0.5    |
| 18                   | PGL operations in FY07 (FY06 is the last eligible year for CMAQ funds)        | 5.1    |
| 19                   |   | 5.6    |
| 20                   |   |        |
| 21                   | Local Return  |        |
| 22                   | L.A. County Jurisdictions   | 4.7    |
| 23                   |   | 4.7    |
| 24                   |   |        |
| 25                   | <b>Proposition C</b>  |        |
| 26                   | Discretionary - 40% (Note 3)  |        |
| 27                   | MTA Orange Line ROW maintenance in FY06                                       | 1.0    |
| 28                   | MTA unreserved designated for 200 Artics Option 1 in FY07                     | 5.1    |
| 29                   | MTA rail homeland security for FY06 through FY10 at \$5M/Yr. & FY11 at \$3.2M | 28.2   |
| 30                   | FY04 Prop A growth over CPI - Designated for MTA & Munis MOSIP in FY06        | 8.4    |
| 31                   |   | 42.7   |
| 32                   |   |        |
| 33                   | Investment Income   |        |
| 34                   | MTA Operations & Municipal Bus Operators                                      | 0.8    |
| 35                   |   | 0.8    |
| 36                   |   |        |
| 37                   | Commuter Rail - 10%   |        |
| 38                   | Orange Line park-n-ride lot in FY06   | 5.2    |
| 39                   | Mid-City Exposition Blvd. In FY09   | 4.2    |
| 40                   | Metrolink - Designated for operating and capital subsidies in FY06            | 11.3   |
| 41                   |   | 20.7   |
| 42                   |   |        |
| 43                   | Streets & Highways - 25%  |        |
| 44                   | HOV Lanes, soundwalls, and regional Call-For-Projects                         | 80.9   |
| 45                   |   | 80.9   |
| 46                   |   |        |
| 47                   | Local Return - 20%  |        |
| 48                   | L.A. County Jurisdictions   | 5.8    |
| 49                   |   | 5.8    |
| 50                   |   |        |

## FY05 ESTIMATED ENDING FUND BALANCE

(dollars in millions)

|     | Fund Type/Uses & Applications  | Amount |
|-----|--|--------|
| 51  | <b>Transportation Development Act - TDA</b>                            |        |
| 52  | Article 4  |        |
| 53  | Santa Monica Municipal Bus Lines (Note 2)                              |        |
| 54  | Capital reserves   | 37.8   |
| 55  | Rail reserves  | 33.7   |
| 56  | Foothill Transit   | 20.6   |
| 57  | Long Beach Transit   | 7.7    |
| 58  | City of Gardena  | 4.0    |
| 59  | MTA unreserved designated local match for the following FY06 projects: |        |
| 60  | Bus division maintenance equipment                                     | 1.0    |
| 61  | Upgrade underground storage tanks                                      | 4.4    |
| 62  | Bus division amenity improvement project                               | 1.0    |
| 63  | Bus facilities projects  | 8.6    |
| 64  | New division 9 transportation building                                 | 5.3    |
| 65  | ITS telecommunications PBX upgrade                                     | 1.2    |
| 66  | Articulated bus facility modifications                                 | 2.5    |
| 67  | Division 6 relocation  | 5.7    |
| 68  |  | 133.5  |
| 69  |  |        |
| 70  | Article 3  |        |
| 71  | L.A. County Jurisdictions  | 14.6   |
| 72  |  | 14.6   |
| 73  |  |        |
| 74  | Article 8  |        |
| 75  | Operators unspent appropriations                                       | 0.1    |
| 76  |  | 0.1    |
| 77  |  |        |
| 78  | <b>State Transit Assistance - STA</b>                                  |        |
| 79  | Revenue share - PUC 99314  |        |
| 80  | Santa Monica Municipal Bus Lines (Note 2)                              | 15.2   |
| 81  | Foothill Transit   | 1.1    |
| 82  | Long Beach Transit   | 1.0    |
| 83  | Other Munis  | 6.3    |
| 84  | MTA unreserved designated local match for FY06 projects:               |        |
| 85  | Division 6 relocation  | 6.7    |
| 86  | Communications system upgrade  | 4.1    |
| 87  |  | 34.4   |
| 88  |  |        |
| 89  | Population share - PUC 99313   |        |
| 90  | MTA rail facilities maintenance in FY06                                | 1.5    |
| 91  |  | 1.5    |
| 92  |  |        |
| 93  | <b>Capital</b>   |        |
| 94  | FTA Reimbursement  |        |
| 95  | Eastside Gold Line Extension in FY06                                   | 19.0   |
| 96  |  | 19.0   |
| 97  |  |        |
| 98  | <b>Debt Service Funds</b>  |        |
| 99  | Defeasance escrows required by lease/leaseback contracts               | 490.0  |
| 100 | Debt service reserves required by bond indentures                      | 290.8  |
| 101 |  | 780.8  |
| 102 |  |        |

## FY05 ESTIMATED ENDING FUND BALANCE

(dollars in millions)

|     | Fund Type/Uses & Applications   | Amount            |
|-----|---|-------------------|
| 103 | <b>Enterprise Fund</b>  |                   |
| 104 | MTA Bus & Rail operations   |                   |
| 105 | Represents retained earnings deficit for unfunded                         |                   |
| 106 | liabilities such as vacation, sick time, and workers'                     |                   |
| 107 | compensation. It does not represent a current cash                        |                   |
| 108 | requirement.  | (62.4)            |
| 109 |   | (62.4)            |
| 110 |   |                   |
| 111 | <b>General Fund</b>   |                   |
| 112 | Sales/leaseback proceeds  |                   |
| 113 | MTA bus capital - 200 CNG Artics (Orange Line) in FY06                    | 3.6               |
| 114 | Eastside LRT in FY06 & FY07   | 8.6               |
| 115 | Mid-City Wilshire BRT/Division 10 in FY06                                 | 5.6               |
| 116 | MTA bus procurement   | 15.9              |
| 117 |   | 33.7              |
| 118 |   |                   |
| 119 | Right of way lease revenues (Note 4)                                      |                   |
| 120 | MTA RRC bus mid-life rehabilitation in FY06                               | 18.0              |
| 121 | MTA RRC bus mid-life rehabilitation in FY07                               | 18.0              |
| 122 | MTA bus capital CNG Artics Option 1 in FY07                               | 9.0               |
| 123 | Expo LRT in FY07  | 3.6               |
| 124 | MTA bus capital CNG Artics Option 2 in FY09                               | 7.1               |
| 125 | MTA bus buy in FY10   | 9.0               |
| 126 | ATU future year medical costs consistent with arbitrator's recommendation | 4.0               |
| 127 |   | 68.7              |
| 128 |   |                   |
| 129 | Ridesharing   | 1.3               |
| 130 | FAU cash  | 0.2               |
| 131 |   | 1.5               |
| 132 |   |                   |
| 133 | <b>SAFE</b>   |                   |
| 134 | MTA call boxes procurement and maintenance                                | 23.7              |
| 135 |   | 23.7              |
| 136 | <b>Total FY05 Estimated Ending Fund Balance</b>                           | <b>\$ 1,252.8</b> |

**NOTES:**

- [1] FY04 Incentive Program actual expenditure through May 2004 is \$4.3M, 40% of the budgeted amount of \$10.7M.
- [2] Santa Monica Municipal Bus Lines' combined Prop A, TDA & STA unspent appropriation in fund balance is \$95.2M; Foothill Transit combined TDA & STA fund balance is \$21.7M.
- [3] Municipal Operator Service Improvement Program (MOSIP) inception through April 2004 allocation is \$41.9M, versus actual expenditures of \$20M.
- [4] Reduced right of way lease revenues by \$24M to cover FY04 Enterprise Fund shortfall.