



NEWS

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MTA BOARD APPROVES BALANCED FY 98-99 BUDGET THAT REFLECTS NEW FINANCIAL REALITIES AT AGENCY

The MTA Board of Directors today unanimously approved a fiscal year 1998/99 budget that is far more oriented to the Agency's core mission than past budgets while also earmarking sufficient funding to improve many facets of the region's vast transportation system.

Despite austere measures undertaken at the MTA to erase a \$90 million operating deficit projected last fall, the \$2.5 billion budget 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 budget also reflects significant savings in MTA's overhead and operating costs achieved through a reorganization program that MTA CEO Julian Burke and his staff developed soon after the corporate turnaround specialist joined the agency ten months ago.

The spending plan includes operating and capital expenditures, debt service, subsidies for municipal bus operators in the county, Metrolink, ADA accessibility programs for the disabled and numerous local traffic improvements. The budget is slightly more than the reforecast FY 98 budget of \$2.4 billion but less than FY 97 expenditures of \$2.6 billion.

"The fiscal year 1998/99 budget says a lot about where this agency is today and where it is heading," Burke said. "The steps we have taken to stabilize the MTA and restore its credibility are working."

MORE...

Page 2 MTA Board Approves 1998/99 Budget

In FY 99, the MTA will continue making improvements in bus service. A net gain of 83,000 bus hours over this year will be deployed. More buses will be added on busy MTA lines. The MTA expects to take delivery of up to 111 new compressed natural gas buses in the coming year and has funds to buy 50 more if manufacturers can expedite delivery. The agency also is seeking \$25 million in new federal monies in FY 99 for new buses.

In FY 99 the 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.

Among the budget's highlights is a reduction in the agency's unallocated administrative overhead by nearly two-thirds accomplished over the last two years. The FY 99 budget eliminates 198 professional and support positions, most of which are administrative in nature. Additional staff is being deployed for bus maintenance, on-street supervision and in the area of customer service. Bus and Rail Operations overhead will be cut by 20 percent compared to the 97/98 budget and 26 percent compared to FY 96/97.

On the operations side, the 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 will include all modes of transit. The analysis will be presented to MTA Board in October.

The budget includes \$349 million for debt service on funds borrowed to continue construction of freeway carpool lanes, ongoing Metro Rail subway

MORE...

Page 3 MTA Board Approves 1998/99 Budget

construction and to meet the operating and capital needs of the Metro transit system.

"The MTA can manage its existing debt and service its obligations," Burke said. "The agency is able to complete Metro Rail construction to North Hollywood, improve its bus system and comply with the terms of the federal Consent Decree to reduce overcrowding on Metro buses.

"It is no longer business as usual at the MTA. We are carefully managing the agency's expenditures, both sales tax revenues and borrowed funds, to make sure that every dollar is spent wisely and that all the terms and conditions of our new bond issues are conservative and prudent."

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 was hired by the MTA Board last August. In that time he has done a major restructuring of the MTA to stabilize the agency and get its financial house in order, including completely offsetting a projected \$90 million deficit through stringent reforms he implemented and 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," Burke said. "That means making sure management is focusing on the core business, reducing unnecessary staff and programs and cutting expenditures. That is exactly what we have done during the past ten months and that is why we have become a far more efficient organization that is slowly but surely restoring its credibility."

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