

FINANCE AND BUDGET COMMITTEE
JUNE 19, 2002

SUBJECT: FY03 THIRD QUARTER FINANCIAL PERFORMANCE REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file FY03 Third Quarter Financial Performance Report.

ISSUE

The MTA FY03 Budget established the legal authority to obligate and expend funds for the period July 1, 2002 though June 30, 2003. It is the MTA's practice to report quarterly on the budget to inform the Board of issues that may require corrective actions.

DISCUSSION

Enterprise Fund

For the nine months ended March 31, 2003, Metro Bus costs and costs per revenue service hour are slightly above the adopted budget. Metro Rail total costs are slightly below the adopted budget while the cost per revenue vehicle service hour is slightly higher than the adopted budget as a result of lower than budget revenue vehicle service hours.

For the Nine Months Ended March 31,							
2003					2002		
	Actual	Budget	Variance		Actual	Variance	
METRO BUS (in millions)							
Wages & Benefits	\$332.0	\$332.7	(\$0.7)	(0.2%)	\$308.4	\$23.6	7.7%
Workers' Comp	35.7	30.5	5.2	17.0%	37.1	(1.4)	(3.8%)
Purchased Transportation	21.2	22.8	(1.6)	(7.0%)	18.2	3.0	16.5%
Transit Security	22.4	19.6	2.8	14.3%	19.8	2.6	13.1%
Fuel, Parts, Materials & Other	63.0	57.3	5.7	9.9%	53.8	9.2	17.1%
Public Liability & Interest	34.8	34.7	0.1	0.3%	34.8	0.0	0.0%
Indirect Costs	59.4	62.0	(2.6)	(4.2%)	49.7	9.7	19.5%
	\$568.5	\$559.6	\$8.9	1.6%	\$521.8	\$46.7	8.9%
Revenue Service Hours (in thousands)							
	5,620	5,665	(45)	(0.8%)	5,388	232	4.3%
Cost per RSH	\$101.15	\$98.78	\$2.37	2.4%	\$96.84	\$4.31	4.5%
METRO RAIL (in millions)							
Wages & Benefits	\$52.5	\$48.6	3.9	8.0%	\$49.8	\$0.5	1.0%
Workers' Comp	1.9	3.0	(1.1)	(36.7%)	3.1	(1.2)	(38.7%)
Services	23.1	29.4	(6.3)	(21.4%)	21.7	1.4	6.5%
Power, Material, Supplies & Other	21.4	19.5	1.9	9.7%	18.2	3.2	17.6%
Indirect Costs	12.8	14.4	(1.6)	(11.1%)	10.6	2.2	20.8%
	\$111.7	\$114.9	(\$3.2)	(2.8%)	\$103.4	\$6.1	5.9%
Revenue Vehicle Service Hours (in thousands)							
	406	429	(23)	(5.4%)	373	33	8.8%
Cost per RVSH	\$275.12	\$267.83	\$7.29	2.7%	\$277.21	(\$2.09)	(0.8%)

Although the FY03 updated Enterprise Fund costs are above the adopted budget, these results do not incorporate the budget amendment passed by the Board on April 24, 2003. Factoring in this amendment and based on an analysis of historical expenditure trends and financial projections for the remainder of the fiscal year, it is forecast that the Enterprise Fund expenditures will end the fiscal year \$7.5 million under the amended budget. This favorable budget variance will be offset by a forecasted unfavorable variance of approximately \$6.3 million in passenger fares. Although under the FY03 budget, passenger fares are ahead of the same period in FY02 by approximately \$1 million.

The following is a discussion of the significant issues driving the Enterprise Fund variances:

- Labor and Fringe Benefits are within 1% of budget.
- Workers' Compensation costs were \$4.1 million over budget. However, this variance does not reflect the budget amendment approved by the Board in April. Based on this budget amendment Workers' Compensation expenditures will be on target with the amended budget by the end of the fiscal year.
- Purchased Transportation expenditures were \$1.6 million under budget. Approximately 60,000 new revenue service hours planned for implementation in FY03 that will not occur. These revenue service hours were budgeted at \$50 per hour so the reduced service delivery will cause a slight increase in the cost per revenue service hour of the total bus project.
- Services report a \$3.7 million favorable variance as a result of under expenditure for a variety of service contracts offset by increased costs for Transit Security as a result of increased deployment closer to the contract maximum levels.
- Fuel/Propulsion Power, Parts & Material expenditures were \$9.0 million over budget primarily as a result of higher than anticipated fuel cost for Metro Bus and higher than anticipated cost of revenue vehicle parts for both Metro Bus and Metro Rail. However, this variance does not reflect the budget amendment approved by the Board in April. Based on this budget amendment the current forecast indicates that Material and Supplies will end the fiscal year on budget.
- Indirect Costs incurred in support of Enterprise Fund activities were under budget by \$4.2 million. This under run is the result of cost containment efforts and the current forecast anticipates these savings will continue through the remainder of the fiscal year.

Capital Fund

The budget status of each capital project is attached. Through the first three quarters of FY03 the Capital Fund was under expended by \$203.9 million. Capital expenditure rates traditionally increase as the fiscal year progresses. Therefore, while expenditures are anticipated to be greater in the fourth quarter than any of the previous three quarters of the fiscal year, the fund is forecast to be under expended by \$291.2 million at year-end.

Delays in project implementation are the primary reason for slower than planned capital expenditures. The uncertainty of State Traffic Congestion Relief Program funds has delayed the award of construction contracts for projects such as the Eastside Light Rail Transit Project, the

San Fernando Valley Bus Rapid Transit Project, the Light Rail Vehicle Fleet Enhancement (P2550 cars) and the 200 Articulated Buses. Any unexpended funds in FY03 will be carried forward to FY04 to allow continuation or completion of the projects as appropriate.

Other Funds

Other MTA activities, primarily in the governmental funds, are significantly under expended through the third quarter of FY03:

- Special Revenue Fund is forecast to be \$125.6 million (15%) under expended. This variance can be attributed to delays in the draw down of Call-for-Projects funds awarded to local grantees. To the extent that budgeted expenditures will not be incurred in FY03, the associated revenues will remain in the Special Revenue Fund increasing the end-of-year fund balance.
- General Fund is forecast to be under budget by approximately \$36.2 million (43%). This variance is the result of delays in implementation of the Rideshare Program activities, the Welfare to Work Program, hiring consultants for planning studies and lower than anticipated legal costs.

NEXT STEPS

- Continue to monitor revenues and expenditures through the remainder of the fiscal year.
- Prepare for Board review FY03 Year-end Financial Performance Report.

Attachment: [Capital Projects Quarterly Budget Status](#)

Prepared by: Michelle Caldwell, Deputy Executive Officer – Finance

Terry Matsumoto
Executive Officer, Finance and Treasurer

Roger Snoble
Chief Executive Officer