Editor's Note: The CEO's column indicates contract employees will receive an across-the-board 2.5 percent pay increase along with non-contract employees. In fact, any pay increases for contract employees are based on their collective bargaining agreements. The editor regrets any misunderstanding.

VIEW FROM THE 25th FLOOR

FY 2006: Not a 'Happy Budget,' But It Does Include a Pay Raise

By CEO ROGER SNOBLE

CEO Roger Snoble

This month, it's all about the budget. As I told the Board during our recent workshop, we expect to begin the new fiscal year with a balanced $2.86 billion budget, but not a "happy budget." It will get us through the fiscal year, as long as everything goes according to plan.

You may be aware that among the painful choices we've made for FY 2006 is to cut 133 positions – a decision that personally affects between 80 and 100 of our employees. That was absolutely the most difficult decision, only one of many cutbacks we'll have to make if we're to go forward into the new year beginning July 1.

I do have some good news, however. The proposed budget includes an across-the-board 2.5 percent wage increase for both contract and non-contract employees. It's a small reward for everyone's good work, and it should help keep pace with inflation. I wish we could have included pay-for-performance for non-contract employees, but I'm afraid that's out of the question this year.

More tax revenues

Also under the good news heading, the state is bringing in more tax revenues and Governor Schwarzenegger has proposed putting $1.3 billion back into the transportation fund. And the U.S. Senate has voted to add dollars to the federal Transportation Reauthorization bill.

Both of these actions still face many hurdles in Sacramento and Washington. If successful, they would give LA County money for the Eastside light rail project, the Exposition Line, highway improvements and even for some bus purchases.

That's in the future. In the FY 2006 budget, we're dealing with the rising cost of operating our bus and rail systems, paying employees and maintaining equipment and facilities. We also have to cover such extraordinary costs as fuel, which is up 30 percent, and employee health insurance and pension benefits, which have risen 17 percent.

Defer some programs

The budget calls for us to defer maintenance programs and midlife equipment overhauls, as well as to cut back on some capital projects at the operating divisions. We're delaying or canceling these projects because we don't have the money for them.

For the moment, then, we're just treading water. We've been required by the federal Consent Decree to provide more service, but we've realized no increase in revenues from it. I've told the Board there's simply no way to sustain our current level of service at our current level of revenue.

So, having come almost to the end of a difficult year, we're facing another one just as tough. The last three months of struggling with our financial situation have taught us a lot about how to live with this budget and how we can manage our resources better. It will be a challenge, but I believe we can do it.

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