METRO NEWS

MAY 27, 1994

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MTA'S PROPOSED $2.9 BILLION FY 1995 BUDGET ELIMINATES OPERATING DEFICIT, SETS TONE OF FISCAL PRUDENCE FOR FUTURE YEARS

MTA staff today presented to the MTA Board of Directors a balanced $2.9 billion budget proposal that eliminates an operating shortfall and reflects a lean, fiscally prudent blueprint for FY 1995 and future years.

"We first identified a deficit projection of $126 million early in FY 1994," said Franklin White, MTA's chief executive officer. "Because of a continued decline in ridership during the year, the deficit has increased by $15 million. Our goal has been to do whatever is necessary to eliminate the deficit and present a balanced budget for FY 1995.

"I believe this proposed budget achieves that goal, and lays the groundwork for future MTA budgets to meet this region's transportation service, construction and planning needs in a fiscally responsible manner."

The budget proposal identifies the need for $40 million of the deficit to be offset by increased fare revenues, with implementation to occur on September 1. The target date was selected to allow sufficient implementation time.

"The fare structure we are recommending was developed after extensive review of the public comments received at an April public hearing, as well as review of all other methods by which revenue could be raised," White said. "Every effort was made to minimize the impact of a fare increase on the public while keeping as much bus and train service as possible in place, and at the same time develop a proposal that was fair and equitable to all of our bus and rail riders."

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The budget is divided into the following key components: bus and rail operations, $647.4 million; rail construction projects, $752.3 million; bus and rail capital, $189.2 million; rail planning and program support, $17.7 million; planning studies and program support, $19.5 million; Freeway Service Patrol and motorist assistance, $39.2 million; paratransit service, $18.1 million; agency support, which includes funds for the new MTA headquarters building, $80.4 million; allocated capital overhead and debt service, $247.3 million; subsidy for Metrolink operations and capital, $69.7 million, and local transportation subsidies that MTA is responsible for distributing to other transit agencies, $810.2 million.

The proposed $647.4 million balanced transit operating budget was achieved by a combination of significant internal cost reductions including a staff reduction totaling 515 employees during the past 15 months, a fare increase, service reductions, a proposed agency-wide salary freeze and reallocated resources. A Special Work Program devised by the Board's Budget and Efficiency Committee had earlier identified these areas as crucial to solving the budget deficit:

- **Fare increase: $40 million** -- This figure assumes a base cash fare of $1.35, $1 for tokens, 25 cents for a transfer, 50-cent zone surcharges on express bus and rail lines and the elimination of all monthly passes except for elderly/disabled and K-12 students. It also accounts for a 5 percent reduction in service on MTA lines, plus an anticipated 6.8 percent ridership loss due to the higher fare.

The fare increase would be the first by the MTA or its predecessor agency in six years. In its recommendation for a new fare structure, MTA staff reported the following findings:

-- Nearly all other major urban areas in the United States have a base fare of at least $1.25, put in place as long as two years ago in some instances.

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-- When the use of monthly passes is taken into account, the average fare an MTA passenger pays is 55 cents, or half of the base fare, which is not the case in most large cities. For example, in New York City, which does not offer monthly passes or discounted tokens, the average fare is more than 80 percent of the base fare of $1.25.

-- Eliminating the monthly pass would significantly reduce misuse. "We have no restrictions on how often passes may be used, and cannot effectively deter their use by more than one individual," White said.

-- The most severely financially disadvantaged riders, who cannot afford monthly passes because they do not have $42, must pay the $1.10 base fare each time they board. They, in effect, subsidize monthly passes of more affluent riders who can afford the pass.

"There is a perception that the current structure benefits some classes of riders to the detriment of others," White said. "This proposal seeks to provide equity to all persons using our services, and at the same time recognizes the economic needs of those most dependent on transit."

White asked the Board to recognize that every month without adoption of a fare structure will result in a $4.2 million loss of revenue. "Such a loss would exacerbate the financial difficulties of the MTA," White said. "The fare proposal would generate $40 million during FY 1995, assuming implementation occurs on September 1, 1994.

"On an annual basis, the fare proposal would raise $51.4 million. This proposal is made, therefore, to provide the MTA with a revenue source that, it is hoped, will offset the need for fare increases next year, a result which would provide continuity and stability for our riders."

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- **Service cuts: $21 million** -- The savings represent 375,000 hours of service cuts, including the cancellation of three peak-hour express lines and two local service lines.

The express bus lines recommended for cancellation are Line 443 (Los Angeles Union Station-North Torrance-Redondo Beach-Palos Verdes), Line 445 (Los Angeles Union Station-West Torrance-Rolling Hills-Rancho Palos Verdes) and Line 457 (Los Angeles-Long Beach Park 'n' Ride Express).

Local service lines recommended for cancellation are Line 208 (Beachwood Shuttle) and the Line 152 shuttle. Portions of Lines 94, 104, 225 and 320 are recommended for cutbacks, as well as special lines such as Dodger Stadium and racetrack service.

The proposed savings also redeploy $5 million of service to inner city areas to relieve overcrowding on MTA's most heavily-used lines.

"Our philosophy in reviewing MTA's services was to minimize the impact on our riders by eliminating high-subsidy bus lines, reducing the volume of bus service paralleling rail lines, and reducing overall service levels to take account of the known ridership declines," White told the Board.

- **Internal cost savings: $27 million** -- Chief Executive Officer White took a number of actions during FY 1994 to reduce costs internally. The merger of the two previous transit agencies resulted in the elimination of 246 administrative positions. By the end of FY 1994, MTA will eliminate another 269 positions, bringing to 515 the number of administrative support positions cut -- a 20 percent reduction. The agency also cut in half the number of outside services contracted, closed an operating division and eliminated a number of transit programs.

- **Reallocated capital funds: $39 million** -- This budget includes all eligible, available resources toward eliminating the operating revenue shortfall. Since the initial calculation of the $126 million shortfall, forecasts show that the

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economy has improved. Using federal capital sources more aggressively offsets $20 million of operating costs; $20 million in funds previously identified to be used for matching rail capital projects and from debt service savings is available, of which $4 million is proposed for allocation to municipal operators and $16 million to MTA; and $3 million more is available through the countywide formula funding procedure.

- **Salary/hiring freeze: $14 million** -- White proposed a salary freeze for all represented and non-represented MTA employees for FY 1995.

Despite the cutbacks, the operating budget provides MTA with the resources to maintain its aggressive anti-graffiti efforts, promote the development of clean fuel technologies in support of regional air quality goals, and increase security on Los Angeles County transit services.

The proposed bus and rail capital improvements total is $941 million, which provides significant funding for alternate fuel bus replacement and maintenance, as well as rail construction and existing system maintenance and replacement. This will include the completion of the Green Line light rail project, and continued work on Segments 2 and 3 of the Metro Red Line subway as well as the Pasadena Line segment of the Blue Line.

In looking to the future, the MTA will develop a fiscally-constrained, multimodal long-range plan for the provision of transportation in the region, White said. The budget calls for final alignment studies for Segment 3 of the Red Line to be finished, and for the agency to maintain its Congestion Management Program and Deficiency Plan.

"The coming fiscal year will be a difficult one financially for the MTA," White said. "But we already have taken some very important steps toward fiscal responsibility by controlling costs through the merger and by reducing costs internally. We have proven that the difficult actions needed to balance this budget and future budgets are within our control."

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