



FINANCE AND BUDGET COMMITTEE
February 19, 2004

SUBJECT: FISCAL YEAR 2003 FINANCIAL PERFORMANCE

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file report on financial performance for fiscal year 2003.

ISSUE

This report discusses the financial performance of the MTA's major programs for fiscal year 2003.

DISCUSSION

SUMMARY OF SALES TAX REVENUES

For the Fiscal Year Ended, (Dollars in millions)	2003 Actual	2003 Budget	2002 Actual	2001 Actual
Sales tax revenues				
Prop. A, C and TDA	\$1,377	\$1,353	\$1,320	\$1,324

Discussion

The largest sources of MTA funds come from Proposition A, Proposition C and Transportation Development Act (TDA) sales taxes. Sales tax revenue represents over 60% or \$1.4 billion of the total budgeted revenues. These revenues provide at least partial funding for nearly all MTA activities including bus and rail operations, the call for projects, capital projects, planning studies and other regional transportation programs. For 2003, the actual earnings were more than \$56 million or 4.3% higher than the same period last year. Revenues for the year were \$24 million or 1.8% higher than budget.

SUMMARY OF METRO BUS OPERATIONS AND RELATED INFORMATION

For the Fiscal Year Ended,

(Dollars in millions except for performance data)

	2003 Actual	2003 Budget	2002 Actual	2001 Actual
Operating Revenues:				
Passenger fares	\$214	\$213	\$211	\$187
Other system generated	13	13	14	13
Total operating revenues	227	226	225	200
Total operating expenses	756	763	720	627
Operating loss	(529)	(537)	(495)	(427)
Non-operating revenues	89	95	109	57
Subsidies	443	443	391	383
Net Income	\$3	\$ -	\$5	\$13

Performance Measurement

Cost/Revenue Service Hour	\$101.34	\$101.38	\$98.82	\$96.62
Cost/Passenger Mile	\$0.52	\$0.53	\$0.49	\$0.48
Subsidy/Passenger Mile	\$0.37	\$0.38	\$0.34	\$0.33
Mean Miles Between Mechanical Failures	6,883	6,000	5,796	4,808
Traffic Accidents/100,000 Miles	3.9	2.4	3.9	4.0
Transportation Monthly Lost Time Claims/100 Employees	2.1	1.9	2.5	2.4
Maintenance Monthly Lost Time Claims/100 Employees	1.2	1.9	1.6	1.3
Mean Fleet Age in Years	5.7	NA	4.7	6.3
Peak Bus/Base Bus	1.5	1.5	1.5	1.5

Discussion

Bus operating expenses for 2003 were \$756 million or \$7 million (1%) lower than the budget of \$763 million. Revenue Service Hours (RSH) were slightly (1.2%) below the target level of 7.54 million RSH. This underrun in RSH primarily reflects delays in implementing pilot line program services. A corresponding underrun in revenues of \$4 million resulted in an overall net income of \$3 million.

The Safety's First program resulted in lower than anticipated costs for both workers' compensation and casualty and liability generating savings in both expense categories of approximately \$5 and \$3 million respectively. Delayed implementation of new pilot lines resulted in a \$2 million underrun in purchased transportation. Fuel, parts, supplies, services, and all other expense categories experienced a \$4 million budget underrun.

Partially offsetting the budget underruns was an overrun in labor and benefits of more than \$3 million. Operator wages and benefits were more than \$4 million over budget, primarily due to filling part time operator vacancies with full time operators. All other wages and benefits were under budget by nearly \$1 million. Although the internal service fund was below budget, under expenditures in other funds resulted in additional charges to the bus project causing an overrun of \$4 million.

SUMMARY OF METRO RAIL OPERATIONS AND RELATED INFORMATION

For the Fiscal Year Ended,

(Dollars in millions except for performance data)

	2003 Actual	2003 Budget	2002 Actual	2001 Actual
Operating revenues				
Passenger fares	\$34	\$39	\$31	\$25
Other system generated	1	1	0	2
Total operating revenues	34	40	31	27
Total operating expenses	150	156	154	123
Operating loss	(116)	(116)	(123)	(96)
Non-operating revenues	-	2	5	1
Subsidies	114	114	114	95
Net Income	(\$2)	\$ -	(\$4)	\$ -

Performance Measurement

Heavy Rail Cost/Revenue Service Hour	\$244.39	\$250.33	\$258.44	\$220.08
Light Rail Cost/Revenue Service Hour	\$300.25	\$295.78	\$348.69	\$364.50
Heavy Rail Cost/Passenger Mile	\$0.43	\$0.41	\$0.41	\$0.42
Light Rail Cost/Passenger Mile	\$0.38	\$0.33	\$0.38	\$0.32
Heavy Rail Subsidy/Passenger Mile	\$0.32	\$0.31	\$0.34	\$0.35
Light Rail Subsidy/Passenger Mile	\$0.30	\$0.24	\$0.30	\$0.24
Rail Monthly Lost Time Claims/100 Employees	1.0	1.9	1.2	1.5
Light Rail Vehicle Accidents Rate/100,000 Miles	0.5	0.6	0.5	0.9

Discussion

Metro Rail operating expenses for 2003 were \$150 million or \$6 million lower than the budget of \$156 million. Revenue Vehicle Service Hours (RVSH), were slightly below (2.3%) the target level of 573 thousand RVSH. This underrun in RVSH reflects delays in the planned implementation of expanded hours of service. The resulting Metro Rail cost per RVSH ended the year slightly higher than budget for light rail and slightly lower than budget for heavy rail.

The Safety's First program resulted in lower than anticipated costs for both workers' compensation and casualty and liability generating savings in total of approximately \$2 million. Delayed contract maintenance projects caused an \$11 million underrun in services.

Partially offsetting these underruns were overruns in labor and benefits of almost \$3 million. Operator wages and benefits were \$2 million over budget, primarily due to higher than expected average salaries. All other wages and benefits were over budget by \$1 million, primarily due to higher than expected vehicle maintenance activities. Although the internal service fund was below budget, under expenditures in other funds resulted in additional charges to the rail project causing an overrun of \$1 million. Utilities, parts, supplies and other expense categories experienced a \$3 million overrun, primarily due to accelerated internal rail fleet maintenance.

SUMMARY OF CAPITAL PROJECTS FUND AND RELATED INFORMATION

For the Fiscal Year Ended,

(Dollars in millions except for performance data)

	2003 Actual	2003 Budget	2002 Actual	2001 Actual
Revenues:				
Intergovernmental grants	\$180	\$362	\$265	\$350
Investment income and other	5	-	10	7
Total revenues	186	362	275	357
Expenditures:				
Bus acquisitions	57	74	132	159
Bus and facilities maintenance	15	49	17	15
Rail MOW, facilities and vehicle maintenance	18	51	19	31
Major construction	140	287	155	134
Other capital	35	52	39	22
Total capital expenditures	264	513	362	360
Deficiency of revenues over expenditures	(78)	(151)	(87)	(3)
Transfers in	90	93	74	51
Transfers out	(9)	(27)	(41)	(32)
Proceeds from financing	-	70	93	5
Net other financing sources	81	136	127	24
Excess (deficiency) of revenues and other financing sources over uses:	\$3	(\$15)	\$40	\$21

Performance Measurement

Capital Expenditures as a % of Budget

Bus acquisitions	77%	NA	51%	92%
Bus and facilities maintenance	30%	NA	30%	88%
Rail MOW, facilities and vehicle maintenance	36%	NA	43%	90%
Major construction	49%	NA	66%	54%
Other capital	66%	NA	65%	42%

Discussion

The 2003 capital fund budget was \$513 million; \$287 million was budgeted for major construction projects and \$226 million was budgeted for other MTA capital projects. Fifty percent, or \$264 million of the total budget was expended during 2003. The unspent budget reflects project delays due to the State funding shortfall, a one-month delay to the Metro Gold Line pre-revenue operations project and other project delays.

Major Construction

Major construction includes all construction projects managed by the Construction Project Management Strategic Business Unit. These projects are primarily construction of new fixed guideway corridors, new rail car purchases and other major infrastructure improvements.

Approximately 50% of the budget was spent during 2003. The State funding shortfall caused delay in awarding contracts for the San Fernando Valley Metro Rapidway and for the P2550 Light Rail Vehicle Fleet Enhancement project. The Eastside Extension project was delayed due to the decision to rebid the design-build contract. The Red Line Projects were under expended as a result of prolonged negotiations regarding contract disputes and claims. The Pasadena Gold Line pre-revenue operations project did not expend the full amount budgeted in 2003 because the Gold Line did not open on July 1, 2003. Rail Operations phased hiring to retain some of the project budget for 2004. Overall the pre-revenue operations project came in under budget.

Bus Acquisition

The bus acquisition element includes the acquisition of buses, the Universal Fare System (UFS) and Advanced Technology Management System (ATMS) projects. Delays in delivering 100, forty-five foot high capacity buses and 200 articulated buses resulted in underruns. Delays were anticipated and funds for these purchases have been included in the 2004 budget. Design delays on the UFS project pushed back the equipment acquisition stage of the project causing expenditure delays. The ATMS project is progressing on schedule and expended their budget.

Bus Maintenance and Facilities

One large variance in bus maintenance is related to the installation of particle traps on the diesel bus fleet. Traps suitable for installation on the MTA's fleet are not currently available. Other project delays occurred with facilities improvements at Division 7 and 9, the replacement of underground storage tanks and the replacement of in-ground bus hoists.

Rail Capital Projects

A total of \$50 million was budgeted for rail facilities, vehicle maintenance and wayside improvements during 2003. Overall, \$32 million remained unspent. The largest project budgeted was the installation of the Red Line Gas Analyzers. This project progressed well and was only slightly delayed in 2003 due to redesign of some Supervisory Control and Data Acquisition (SCADA) integration elements. The Red Line Uninterruptible Power Supply replacement project progressed well during 2003 with final completion delayed slightly into 2004. The SCADA replacement project also progressed on schedule and will continue into 2004. Other projects included expansions to the Rail Operating divisions 11 and 20, Blue Line platform upgrades and grade crossing improvements, all of which required further development time prior to completing the design and/or construction phases.

Other Capital Projects

These projects include non-revenue vehicles, warehouse and information technology/communications projects. The largest project in this category is the M3 (Maintenance and Materiel Management) system project. This project, which was awarded in 2003, is currently on a management approved accelerated delivery schedule. Overall, this project is within the Board approved life of project budget, although it exceeded its 2003 annual appropriation.

SUMMARY OF CALL FOR PROJECTS AND RELATED INFORMATION

For the Fiscal Year Ended,

(Dollars in millions except for performance data)

	2003 Actual	2003 Budget	2002 Actual	2001 Actual
Revenues:				
Sales Tax	\$34	\$102	\$44	\$103
Intergovernmental grants	-	-	-	-
Investment income and other	-	-	-	-
Total revenue	34	102	44	103
Expenditures:				
Highway programs	3	15	11	15
Regional surface transportation improvement	10	22	18	68
Local traffic system	18	35	13	16
Commuter rail	-	13	1	-
Bus capital	2	16	1	3
Total call expenditures	34	102	44	103
Excess of revenues over expenditure	\$ -	\$ -	\$ -	\$ -

Performance Measurement

Call Expenditures as a % of Budget

Highway programs	18%	NA	72%	33%
Regional Surface Transportation Improvement	47%	NA	43%	354%
Local Traffic System	52%	NA	25%	31%
Commuter Rail	0%	NA	185%	0%
Bus Capital	14%	NA	8%	19%

Discussion

Unprecedented declines in state transportation funding stopped all project allocations by the California Transportation Commission and all project processing and delivery by the California Department of Transportation (Caltrans) in November of 2002. These funding restrictions affected all of the Call for Projects.

The execution of all Memorandums of Understanding (MOUs) and Letters of Agreement (LOAs) was delayed while staff reviewed the state-funding outlook to determine which projects could continue. This analysis delayed all projects, even those with executed agreements. Staff then prepared prioritization and deferral recommendations adopted by the Board in April 2003. These delays resulted in lower than normal drawdowns against the adopted project budgets.

The Highway projects spent 18% of their budgets primarily due to the scope and scheduling changes on the HOV Lane on the 405 Freeway. A 20-month extension was granted on this project to obtain right-of-way verification, delaying CALTRANS and causing under spending of \$7 million. The Regional Surface Transportation projects expended 47% of their budget mainly due to scope and scheduling changes. The Alameda Corridor East Phase 1 had a scheduling

delay due to extensive review of the MOU. The US 101-Kanan Road project faced changes in the scope due to CALTRANS changing the design regulations. These two projects' under expenditure totaled approximately \$9 million.

The Local Traffic System projects expended 52% of their budget mainly due to scheduling delays in design, project technology, technical research, or auditing of various projects including the Victory/Oxnard Bus priority treatments; San Diego Freeway Corridor Phase 1 Advanced Traffic Surveillance and Control project, the San Fernando Corridor ITS projects and the Glendale Blvd. Corridor and the East San Gabriel projects. The scheduling and invoicing delays created an under expenditure of approximately \$9 million. The Commuter Rail MOU project under spent its budget by \$10 million due to scheduling delays in procuring rolling stock because SCRRA delayed the procurement while they were seeking federal funds. The regional bus capital projects spent 14% of their budgets because the Covina Transit Center was canceled, causing a \$2 million underrun. Also, the I-10 siding project was delayed due to right-of-way acquisition issues, resulting in a \$3 million budget underrun. Design delays in, the East LA/Mid-City Corridor Bus Stop, the Wilshire/Western Transit Center project and the Vermont Avenue Bus Stop Improvement project resulted in an underrun of approximately \$4 million.

Prepared by Office of Management And Budget

SUMMARY OF OTHER TRANSPORTATION PROGRAMS AND RELATED INFORMATION

For the Fiscal Year Ended,

(Dollars in millions except for performance data)	2003 Actual	2003 Budget	2002 Actual	2001 Actual
Revenues:				
Sales tax subsidy	\$29	\$39	\$23	\$4
Intergovernmental grants	60	58	50	60
Investment income and other	1	1	1	2
Total revenues	90	98	74	66
Expenditures:				
Freeway Service Patrol - FSP	18	21	14	14
SAFE*	8	13	5	5
Access Service Incorporated - ASI	64	64	51	44
Total expenditures	90	98	71	62
Excess of revenues over expenditures	\$ -	\$ -	\$3	\$4

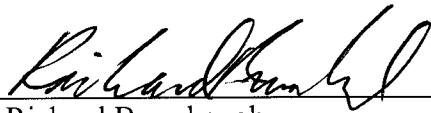
Performance Measurement

FSP - Cost per Assist	\$50.45	N/A	\$38.99	\$41.02
SAFE - Cost Per Call Answered**	\$36.59	N/A	\$34.39	\$21.47
ASI operating subsidy per passenger	\$25.99	N/A	\$24.47	\$26.20

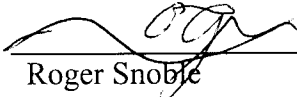
* The SAFE is not an MTA function but is included in this chart as it performs motorist aid services similar to FSP and ASI.

** FY03 cost per call based upon operating costs and excludes a one-time expenditure of \$3.5 million used to cover the cost of modifying callbox sites in compliance with the Thalheimer ADA Settlement Agreement.

SAFE, Freeway Service Patrol (FSP) and Access Services Incorporated (ASI) had no significant budget variances for 2003.



Richard Brumbaugh
Chief Financial Officer



Roger Snoble
Chief Executive Officer