



Metro

Metropolitan Transportation Authority

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FINANCE AND BUDGET COMMITTEE

June 20, 2007

SUBJECT: FISCAL YEAR 2008 BUDGET

ACTION: ADOPT THE PROPOSED FISCAL YEAR 2008 BUDGET

RECOMMENDATION

- A. Adopt the proposed Fiscal Year 2008 (FY08) budget as presented in the proposed budget document (enclosed) and modified by the actions in Attachment A.
- B. Approve the life-of-project budgets for all new capital projects in the proposed budget with a life-of-project budget greater than \$5 million (included in Attachment B);
- C. Approve the total budgeted salaries and benefits for each union/non-contract group (included in Attachment C) as required by the Position Authorization and Compensation policy;
- D. Approve the non-represented employee salary schedule adjusted for the annual inflationary increase (included in Attachment D) as required by the Position Authorization and Compensation policy;
- E. Approve the safety and security budget (included in Attachment E) as required by the Financial Stability policy adopted by the Board in January 2007;
- F. Amend the proposed budget to add 8 FTE's and \$1 million for implementation of TAP operations, as detailed in Attachment F, to be funded with General Fund reserves.

ISSUE

The Financial Stability policy approved by the Board on January 22, 2007, states that the Board shall approve a budget by June 30 of the preceding fiscal year. Copies of the proposed budget are available in the Board Secretary's office and will be available at the various budget meetings (Finance and Budget Committee and the regular Board Meeting.)

POLICY IMPLICATIONS

The annual budget, as adopted by the Board of Directors, is the legal authority to obligate and spend funds and implements previous board policy discussions. It includes all operating, capital, debt service requirements, and general fund activities of Metro for the fiscal year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental and proprietary funds except that depreciation is not budgeted. Budget detail is a management plan for financial activity and is prepared at the fund, project, department, and expense/expenditure level. The legal level of control is at the fund level. Total annual expenditures cannot exceed the final appropriation adopted by the board except for capital expenditures that are authorized on a life-of-project basis.

FINANCIAL IMPACT

The proposed FY08 budget totals \$3,120.9 million of expenditures (excluding defeased leases of \$49.1 million) and appropriates the resources necessary to fund them. The annual expenditure plan (as amended by this report) demonstrates Metro's capacity to meet its capital and operating obligations, a requirement necessary to receive subsidies from the state and federal governments.

ALTERNATIVES CONSIDERED

Adopt a continuing resolution until such time as the Metro budget is adopted.

DISCUSSION

Financial Assumptions

The budget is comprised of two primary funds. The Enterprise Fund includes all business-type activities such as bus and rail operations, capital projects and debt service and is proposed to be budgeted at \$2,109.2 million. The Governmental Fund includes activities such as Special Revenue administration (subsidies to others), Propositions A and C and TDA administration, and other General Fund activities and is proposed to be budgeted at \$988.8 million. The budget also includes an Agency Fund (Benefit Assessment District budget) at \$22.9 million.

The FY08 proposed budget major assumptions and highlights are the following:

- Sales tax revenues will increase by 4% which is the 20-year historical average for sales tax growth in Los Angeles County;
- Fare revenues are shown in the proposed budget book at \$.58 per boarding consistent with FY07 actual fare revenue experience and are hereby amended to \$.67 per boarding as approved by the Board at the May 2007 meeting;
- Bus and rail operating expenditures grow by \$29.3 million or 2.6% over the FY07 budget. All departments were required to budget non-labor, non-capital

expenditures at the FY07 budgeted level unless new contracts were approved by the Board during FY07;

- Salaries will increase in accordance with the union contracts (3.5% for all employee groups except AFSCME); and
- Access Services, Inc., insurance costs, purchased transportation, and security costs, have increased more than CPI.

Subsequent to printing the proposed FY08 budget document, several changes have been approved which impact the overall budget and will be incorporated into the final budget document. Those changes include Board approval of a fare change effective July 1, 2007, Board approval of new advertising contracts which will generate additional revenues in FY08, changes to the draft formula allocation procedure funding marks lowering Metro's share of revenues and increasing the municipal operator's share of revenue, and inclusion of CNG fuel credits into the operating budget to cover the FY08 deficit. These changes are listed in Attachment A.

Capital Program

The proposed budget includes the capital program life-of-project budgets for all capital projects. Projects that are under \$1 million, projects that are unchanged from prior year, and new projects that are less than \$5 million are identified in the budget book and approved with board action on the proposed budget. Projects that are greater than \$1 million with life-of-project budget increases and new projects in excess of \$5 million must be approved by the board in separate board action and are identified on Attachment B.

FTE's and Labor Budget

The proposed budget authorizes 9,037 full-time equivalent positions (FTE's), which is an increase of 41 FTE's from the FY07 budget. Of these FTE increases, 34 of the FTE's are contract positions (ATU and TCU) and 7 are non-contract positions. The majority of the positions were approved by the Board in March 2007 to support the increased requirements of the Bus Mid-life capital project. The remaining additional FTE's are required to provide additional manpower in the Revenue department, offset by eliminating overtime costs, improve the parts inventory deployment, offset by reducing parts costs to the operating divisions, and additional support in Systems Performance analysis to analyze UFS data and count passengers, offset by reducing Schedule Checkers.

The agency-wide labor and benefits for all union and non-represented FTE's is included in Attachment C. Overall, the labor budget increased by 4.5% which includes Board approved salary and wage increases, new FTE's and includes the impact of salary reclassifications approved by the Board and/or the CEO.

The non-represented employee salary schedule is adjusted annually to accommodate inflationary increases and approved by the Board during budget adoption. There is no

financial impact to this action but this provides management with the approved salary ranges for hiring new employees and promoting existing employees.

Strategy for Mitigating Expenditures

The Financial Stability policy adopted by the Board in January 2007 states the following: “Endeavor to keep growth in regional bus and operating expenses (as measured by a rolling average of growth in bus and rail operating cost per vehicle hour) at or below the rate of inflation. A proposed strategy for mitigating expenditures will be presented to the Board at the time of annual budget adoption.”

Mode	FY07 Cost Per RSH	FY08 Cost Per RSH	% Increase
Bus	\$115.58	\$118.10	2.1%
Rail	\$349.97	\$365.24	4.4%

The bus cost per revenue service hour increased by 2.1% from FY07 to FY08, in spite of the wage increase of 3.5% and growth in FTE’s. Inflation is projected at 2.45%.

The rail cost per revenue vehicle service hour increased by 4.4%. The greater than inflationary increases in rail included, rail security at 7.4%, insurance/workers compensation at 3.5%, and wages at 3.5%.

As currently proposed, the FY08 budget is a “bare bones” budget containing numerous risks for exceeding budgeted levels. Staff will return to the Board if budget amendments are required during the fiscal year.

NEXT STEPS

Monitor the FY08 actual expenditures versus the adopted budget on a monthly basis and provide quarterly updates to the Board.

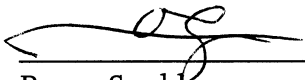
Attachments

- A. Changes to Proposed Budget Subsequent to Printing Budget Document
- B. Capital Projects with Life-of-project budget changes
- C. Proposed Salary and Benefits by Union Group
- D. Non-Represented Employee Salary Schedule
- E. Proposed Security Budget
- F. Budget Amendment for TAP Implementation

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ATTACHMENT A

- A. Program an additional \$32 million of fare revenues to fund bus and rail operating expenses as approved by the Board at the May 2007 meeting;
- B. Reduce rail funding by \$5.2 million of Proposition C40% revenues and reprogram those revenues to CP#201044 FY08 CNG Articulated Bus Buy - \$4 million and CP#200225 Universal Fare System - \$1.2 million;
- C. Program an additional \$4.1 million of advertising revenues to the bus operating budget and an additional \$300,000 of advertising revenues to the rail operating budget as approved by the Board at the June 2007 meeting;
- D. Program \$35 million of CNG fuel credits (FY07 actual allocation of \$15 million and FY08 expected allocation of \$20 million) from the General Fund balance to the bus operating budget;
- E. Program an additional \$5 million of Proposition C40% revenues to the Immediate Needs program as approved by the Board at the May 2007 meeting;
- F. Decrease Metro Bus revenues by \$1,146,284 in the Enterprise Fund and increase Subsidies to Others by \$1,146,284 in the Special Revenue Fund to accommodate revised funding marks for Formula Allocation Procedure (FAP) adjustments made subsequent to printing the proposed budget book

ATTACHMENT B

FY08 CAPITAL PROJECTS LIFE-OF-PROJECT STATUS

New projects with LOP over \$5 million pending approval:

<u>CP No.</u>	<u>Title</u>	<u>FY08 Budget</u>	<u>LOP</u>
CP 202232	ATMS Upgrade	\$1,756,278	\$12,107,000*
CP 202239	Division 1, 3, 8, 9, and 15 Renovations	\$7,310,809	\$13,720,000
CP 202246	Bauchet Street Storage and Facilities Structure	\$4,816,000	\$12,925,000
CP 208007	FY08 Bus System Replacement Non-Revenue Vehicles	\$10,275,720	\$10,846,844*
CP 204053	Division 21 Improvement - Phase II	\$2,342,777	\$19,750,000*
CP 204068	Rail Operations Training Facility	\$468,352	\$17,600,000
CP 206034	Subway Railcar Midlife Overhaul	\$4,421,338	\$202,000,000*
CP 206035	Expo/Blue Line Light Rail Vehicle Procurement	\$1,100,705	\$174,500,000*

* The LOP value in this table for projects with an asterisk has been revised since the preliminary budget book was printed.

ATTACHMENT C

**FY08 Proposed Salary and Benefit Budget
By Union**

	FY07 Amended Budget	Changes	Chg%	FY08 Proposed
UTU Labor				
FTE's	4,262	(6)	-0.1%	4,256
Payroll				
Salary	\$190,285,594	\$6,659,996	3.5%	\$196,945,590
Overtime	54,331,829	4,121,389	7.6%	58,453,218
Payroll Subtotal	244,617,423	10,781,385	4.4%	255,398,808
Health & Welfare and Life	47,432,860	2,158,954	4.6%	49,591,814
Pension, Post Retiree	21,342,627	2,577,599	12.1%	23,920,226
FICA, Medicare, UMI & Transit Subsidy	20,575,863	(189,605)	-0.9%	20,386,258
Total UTU Labor	333,968,774	15,328,333	4.6%	349,297,106
ATU Labor				
FTE's	2,104	34	1.6%	2,138
Payroll				
Salary	108,673,625	5,942,125	5.5%	114,615,750
Overtime	12,216,570	882,980	7.2%	13,099,550
Payroll Subtotal	120,890,195	6,825,105	5.6%	127,715,300
Health & Welfare and Life	24,534,577	2,756,904	11.2%	27,291,481
Pension, Post Retiree	20,419,672	2,374,665	11.6%	22,794,336
FICA, Medicare, UMI & Transit Subsidy	9,832,983	441,015	4.5%	10,273,998
Total ATU Labor	175,677,426	12,397,688	7.1%	188,075,115
TCU Labor				
FTE's	694	7	1.0%	701
Payroll				
Salary	28,972,533	1,342,829	4.6%	30,315,362
Overtime	2,685,933	(76,834)	-2.9%	2,609,099
Payroll Subtotal	31,658,466	1,265,996	4.0%	32,924,461
Health & Welfare and Life	7,985,466	352,214	4.4%	8,337,680
Pension, Post Retiree	4,022,271	261,056	6.5%	4,283,327
FICA, Medicare, UMI & Transit Subsidy	2,680,578	54,444	2.0%	2,735,022
Total TCU Labor	46,346,780	1,933,710	4.2%	48,280,490
AFSCME Labor				
FTE's	588	(1)	-0.2%	587
Payroll				
Salary	41,225,966	1,280,631	3.1%	42,506,597
Overtime	3,062,349	445,658	14.6%	3,508,007
Payroll Subtotal	44,288,315	1,726,289	3.9%	46,014,604
Medical and Dental	6,138,383	317,768	5.2%	6,456,151
Pension, Post Retiree	7,321,627	(264,495)	-3.6%	7,057,132
FICA, Medicare, UMI & Transit Subsidy and Life	1,413,882	(258,338)	-18.3%	1,155,544
Total AFSCME Labor	59,162,206	1,521,224	2.6%	60,683,431

**FY08 Proposed Salary and Benefit Budget
By Union**

	FY07 Amended Budget	Changes	Chg%	FY08 Proposed
Teamster Labor				
FTE's	81	-	0.0%	81
Payroll				
Salary	3,380,290	153,550	4.5%	3,533,840
Overtime	954,684	0	0.0%	954,684
Payroll Subtotal	4,334,974	153,550	3.5%	4,488,524
Medical and Dental	843,043	54,079	6.4%	897,122
Pension, Post Retiree	529,018	(11,367)	-2.1%	517,651
FICA, Medicare, UMI & Transit Subsidy and Life	106,703	(51)	0.0%	106,652
Total Teamster Labor	5,813,738	196,210	3.4%	6,009,948
NC Labor				
FTE's	1,267	7	0.6%	1,274
Payroll				
Salary	96,866,198	5,247,503	5.4%	102,113,700
Overtime	302,662	1,778	0.6%	304,440
Payroll Subtotal	97,168,860	5,249,281	5.4%	102,418,140
Medical and Dental	13,044,236	381,409	2.9%	13,425,645
Pension, Post Retiree	20,807,244	(3,128,805)	-15.0%	17,678,439
FICA, Medicare, UMI & Transit Subsidy and Life	4,124,387	(968,433)	-23.5%	3,155,954
Total NC Labor	135,144,727	1,533,451	1.1%	136,678,178
As-needed, Intern & TDP payroll	4,177,791	170,980	4.1%	4,348,771
Agency-wide				
FTE's	8,996	41	0.5%	9,037
Payroll				
Salary	469,404,206	20,626,634	4.4%	490,030,840
Overtime and Asneeded, TDP	77,731,817	5,545,950	7.1%	83,277,768
Payroll Subtotal	551,313,814	21,994,793	4.0%	573,308,608
Health & Welfare	99,978,565	6,021,328	6.0%	105,999,893
Pension, Post Retiree	74,442,459	1,808,653	2.4%	76,251,112
FICA, Medicare, UMI & Transit Subsidy	38,794,973	(981,546)	-2.5%	37,813,427
Total Agency-wide	\$764,529,812	\$28,843,228	3.8%	\$793,373,040

ATTACHMENT D:

Non-Represented Employee Annual Salary Schedule

Grade	Min	Mid	Max
H1A	\$25,334.40	\$31,657.60	\$38,001.60
H1B	\$27,164.80	\$33,945.60	\$40,747.20
H1C	\$29,369.60	\$36,712.00	\$44,054.40
H1D	\$31,824.00	\$39,769.60	\$47,736.00
H1E	\$34,632.00	\$43,284.80	\$51,937.60
H1F	\$37,939.20	\$47,424.00	\$56,908.80
H1G	\$41,724.80	\$52,166.40	\$62,608.00
H1H	\$46,009.60	\$57,532.80	\$69,014.40
H1I	\$49,337.60	\$61,651.20	\$73,985.60
H1J	\$53,123.20	\$66,414.40	\$79,705.60
H1K	\$57,428.80	\$71,780.80	\$86,132.80
H1L	\$62,462.40	\$78,062.40	\$93,662.40
H1M	\$68,203.20	\$85,259.20	\$102,294.40
H1N	\$74,838.40	\$93,537.60	\$112,236.80
H1O	\$82,430.40	\$103,064.00	\$123,656.00
H1P	\$91,187.20	\$113,984.00	\$136,760.00
H1Q	\$101,316.80	\$126,630.40	\$151,944.00
H1S	\$116,875.20	\$146,099.20	\$175,302.40
H1T	\$121,451.20	\$151,840.00	\$182,208.00
HAA	\$129,209.60	\$161,512.00	\$193,814.40
HBB	\$137,155.20	\$171,454.40	\$205,732.80
HCC	\$183,289.60	\$225,680.00	\$268,028.80
HDD	\$229,424.00	\$279,905.60	\$330,387.20
HFF	\$277,305.60	\$338,312.00	\$399,318.40

ATTACHMENT E:

Proposed Security Budget

CATEGORY	AMOUNT
Administration ⁽¹⁾	\$3,398,375
Homeland Security Grant	380,967
Law Enforcement	55,466,037
Fare Inspectors	7,058,502
Law Enforcement- Metrolink	1,721,377
Law Enforcement- Munis	578,240
Metro Transit Police ⁽²⁾	6,230,455
Private Contract Security	3,666,298
Total Budget	\$78,500,250

⁽¹⁾ Administration includes Non-contract (NC) Direct Labor, NC Overtime, NC Fringe Benefits, Workers' Compensation, NC Non-work time, Professional and Technical Services, Travel, Seminar/Conf fees and Office Supplies

⁽²⁾ Metro Transit Police includes Teamsters' Direct Labor, Overtime, Fringe Benefits, Non-work time, Uniforms, Training Programs, & Tools

ATTACHMENT F:

Positions to be Added to Implement TAP Operations

Position	Task	FTE
Deputy Executive Officer	Operate regional program; create strategies that build business development opportunities.	1.0
Director of TAP Technology	Manage daily TAP operations; oversee 3 contractors; ensure that Metro policies and fare structures are accommodated by system.	1.0
Sr Project Engineer	Perform complex UFS-TAP device specific assessment and facilitate technical analysis; manage technical oversight of regional operations; manage and supervise Cubic service desk.	1.0
Project Engineer	Ensure trouble shooting of all UFS devices; respond to cash counting problems; enforce UFS standard operating procedures.	1.0
Sr Departmental Systems Analyst	Assign Metro staff access to Metro and regional computers to UFS system; liaison to Cubic and ACS software and database engineers; monitor health of central computers; enforce disaster recovery protocols.	1.0
Director of TAP Business and Economic Development	Focus on integrating TODs with TAP infrastructure to promote smart card applications on paper smart cards, Near Field Communications (NFC) and VISA/Mastercard opportunities.	1.0
Systems Project Manager	Ensure that all new interfaces with external entities and private developers are configurable to the Metro and Regional Center computer.	1.0
Chief Administrative Analyst	Provide administrative support to the TAP operating unit including budget support.	1.0
Total		8.0