Thursday, May 14, 2009 2:00 p.m. **2B**

MINUTES

SPECIAL BOARD MEETING

One Gateway Plaza
3rd Floor Board Room

Called to Order at 2:20 p.m.

Directors Present:

Ara J. Najarian, 2nd Vice Chair
Michael Antonovich
Diane DuBois
John Fasana
José Huizar
Richard Katz
Pam O'Connor
Rita Robinson
Zev Yaroslavsky

Officers

Arthur T. Leahy, Chief Executive Officer
Michele Jackson, Board Secretary
Karen Gorman, Ethics Officer
Karen Gorman, Acting Inspector General
County Counsel, General Counsel

Los Angeles County
Metropolitan Transportation Authority

Metro

1. RECEIVED the **Fiscal Year 2010 proposed budget** for review and consideration.

Michelle Caldwell, Executive Officer, Office of Management and Budget, announced that the budget public hearing will be held next week in conjunction with the Finance and Budget Committee. Staff anticipates that final adoption of the budget will take place at the May 28 Regular Board meeting. Ms. Caldwell presented a brief overview of proposed FY10 expenditures by program, funding sources, structural deficit mitigations, bus operating and capital structural deficit, bus structural deficit mitigations, rail operating and capital gap filling, proposed FTE changes, new programs, Measure R receipts, expenses, fund balances, sales tax revenue assumptions, impact of Prop A, Prop C, and TDA sales tax loss, bus and rail fare revenues, change in bus revenue service hours, and rail revenue service hours. Ms. Caldwell reviewed budget risks and recommendations requiring Board authorization.

Director DuBois asked if staff examined other ways to obtain additional funding besides delaying capital projects.

Ms. Caldwell responded that staff conducted a comprehensive review of ways to reduce expenses, including looking at professional services contracts and reducing travel. She stated that the agency has no inflationary expenses. Non-labor expenses were reduced by $26 million. Regarding the deferral of rail maintenance, the midlife program for Red Line subway cars was scheduled to begin this year. Mike Cannell, General Manager of Rail Operations, requested additional time to examine elements of the program that could be performed in-house and aspects that could be contracted out. This program will be initiated towards the end of the year.

Director DuBois asked if the infusion of cash from the American Recovery and Reinvestment Act will free up other dollars that were intended to be used on maintenance and capital projects.

Ms. Caldwell stated that staff conducts an extensive annual bus rebuild program. This program is funded with bus operating and capital money. She clarified that the money can be used for either operating or capital costs. Staff was able to apply for and receive a stimulus grant for this project, thereby freeing up $80 million of TDA-4, which staff was able to use for operating costs.

Director DuBois, referring to the proposed budget book, asked why costs associated with revenue service hours increased significantly under the activity-based Green Line cost model. She noted cost increases on other lines as well.

Ms. Caldwell responded that the budget line associated with the activity-based Green Line cost model is primarily made up of two different departments or units with Metro: the revenue department and the economic development unit, which handles TAP operating. Costs for each of these departments increased $3 million over the previous fiscal year, for a total increase of $6 million. TAP operating costs increased because the department took over the purchase of fare media. The cost increase on the revenue side is attributed to a new maintenance contract which will begin on July 1. New ticket vending machines have been added for the Eastside Extension. In addition, the new contractor is responsible for the maintenance of all TAP card point-of-sale devices. Cost increases associated with the maintenance contract are spread evenly over both bus and rail lines. Mr. Matsumoto added that the agency will be adding rail gates, which is only beginning to see its way into the FY10 budget. This item will be larger in FY11 when all the gates are installed and all require maintenance.

Director Fasana stated that it appears there are certain assumptions associated with the Measure R allocations in this budget. He stated that it might be good to have the Long Range Plan locked down first. As the Long Range Plan moves forward, if the Board decides to accelerate projects such as the Gold Line Foothill Extension, it may be prudent to make certain expenditures in a timely manner. For example, if there is a need for maintenance facilities, work could be done in 2009 and 2010 to clear a facility. Director Fasana noted that it will be important to put forward the agency's best project allocation to accelerate receipt of federal funding. He mentioned that it might be possible to accelerate federal funding for the Downtown Connector. The Board needs to look at all funding resources and projects in various stages of being ready to go, and examine how to better leverage federal funding.

Director Antonovich indicated that the major problem with the Enterprise Fund is that the agency is spending more than the revenues that are being generated. It is important to have a person oversee and put limitations on incoming expenditure requests.

Director Robinson commended the Board on its proactive approach in freezing salaries and wages. She asked how the $6.5 million savings from bus service restructuring will be achieved, and examples of those changes.

Conan Cheung, Deputy Executive Officer of Operations, responded that staff is considering reducing unneeded bus capacity on some high frequency lines. In addition, the use of larger capacity vehicles will help reduce the actual number of buses in service. Staff may also implement additional short lines.

Director Antonovich stated that Supervisor Molina is unable to attend the meeting because of an illness. He read a list of questions that Director Molina prepared: "You're assuming that we will receive $361.2 million for Measure R in 2010, which seems like a low estimate. I understand that sales tax revenues are down and that there is a lag in our collection of the tax for about a quarter, but I am not sure it is such a smaller number. Is this consistent percentage-wise with what we have seen with the other sales taxes?"

Ms. Caldwell responded affirmatively.

Director Antonovich, continuing to read Director Molina's list of questions, asked: "In a full year with reduced sales tax, we should be receiving $630 million. If you factor in the quarter lag from the State on delivering the tax from the first year, we should still get more than $361 million dollars?"

Mr. Matsumoto responded that when the agency first began to collect Prop C revenues, it took over five years for Prop C revenues to become roughly equivalent to one hundred percent of Prop A revenues. The agency hopes to replicate this experience with the new sales tax.

Director Antonovich, continuing to read Director Molina's list of questions, asked: "You have programmed a lot of money for our new transit capital rail projects, approximately $96.5 million. There are five transit capital projects in the Measure R expenditure plan that have a 2010 potential start date: Green Line, Expo II, Gold Line, San Fernando North/South, and Crenshaw. Yet the Green Line and the Gold Line have very little money programmed for them: $204,000 for the Green Line, and $126,700 for the Gold Line. Other projects that have later start dates have considerably more money allocated to them. I would like a report back at Finance and Budget Committee that allocates additional funds to these two projects and provides us with details about what activities the money would be spent on." Director Antonovich stated that he would like to make this request as well.

Director DuBois asked how AIG impacted the agency as far as how liabilities are treated in the budget.

Mr. Matsumoto responded that this would only apply to miscellaneous legal expenses. A budget amendment may be needed in the event of a settlement or other issue.

Director DuBois expressed concern about transferring community relations out of the Sectors back to regional communications.

CEO Art Leahy responded that staff eliminated ten of the additionally requested community relations positions in order to bring the agency's expenditures into line with resources. He indicated that difficulties with community relations outreach on important projects recently came to his attention. The Board needs to adopt a corporate approach to not only communicating with the public, but bringing the public's concerns to the attention of staff.

Director DuBois stated that the Board does not want to reduce train consists on the Blue, Red and Gold Lines during the weekend.

Ms. Caldwell responded that there was an initial proposal to cut back the consist size more dramatically than currently proposed. Staff has been in the field to observe the number of on and off-peak riders and is confident that the consist size matches the ridership. Staff will continue to monitor ridership levels.

Director DuBois presented a motion regarding FY10 budget amendments for consideration at the Finance and Budget Committee and Regular Board meetings. Director Katz suggested including elimination of the hiring freeze as part of the motion.

Director Najarian directed the CEO to explore expanding eligible operator status and report back to the Finance and Budget Committee with possible funding sources for any such expansion.

Director O'Connor mentioned that she will introduce a motion to be considered at the Planning and Programming Committee which addresses project readiness and continuation of environmental review for the Harbor Subdivision Crenshaw Corridor.

2. RECEIVED AND FILED the **major assumptions for the financial forecast for the 2009 Long Range Transportation Plan** for Los Angeles County.

David Yale, Deputy Executive Officer, Countywide Planning and Development, presented an overview of the financial underpinnings of the Long Range Transportation Plan. He reviewed the revenue assumptions from the Long Range Plan staff report prepared in January 2009 and the forecast changes that have occurred since January as they relate to the economic downturn and the State's budget problems. He presented the agency's assumptions going forward. Next steps involve completing the financial forecast revision. Staff would like to conduct individual briefings with Board members and their staff in early June and come back with a new Long Range Plan for consideration at the June Planning and Programming Committee and Board meetings.

Director Katz mentioned that the agency's 33% farebox recovery assumption is an arbitrary target that helps Metro receive APTA awards and generates more revenue. He indicated that he believes a 25% farebox recovery ratio is adequate and that more emphasis should be placed on bus service. Regarding the STA program, he expressed concern about the assumption that STA funding will be available again beginning in FY13.

Mr. Yale responded that there will need to be a laser focus on the issue of STA funding.

Director Fasana stated that he hopes there will be at least one month to circulate the Long Range Plan to other stakeholders so that they have the opportunity to review the Plan before it is considered at the June Board meeting.

Director DuBois stated that there is an assumption that an average of $200 million a year in federal funds will be assigned to the Westside subway extension. She asked if the Board has decided where the FTA funds will be placed. She also expressed concern about funding for the regional connector.

Director Katz mentioned that there has been discussion about the possibility of requesting federal funding for both the Westside extension and the regional connector as a joint proposal.

Director Fasana noted that there is a substantial amount of funding that is held in reserve in the budget as presented and that there is the opportunity to make adjustments in terms of advancing the federal funding strategy. He highlighted the importance of seeking funds for projects in a more expedient manner and achieving regional consensus.

Director Katz pointed out that the agency saved $100 million on the I-405 contract. The money situation will not improve and the Board needs to figure out how to move projects faster and accelerate Measure R dollars.

3. RECEIVED Public Comment.

ADJOURNED at 4:03 p.m. in memory of Brian Soto, former Deputy Executive Officer for General Services, who lost his battle with cancer in March. Mr. Soto was employed at the agency for more than twenty years and was instrumental in the construction of the Gateway headquarters building. Care and maintenance of the building was Mr. Soto's passion and he kept it in top condition.

Prepared by: Michele Chau
Board Specialist

Michele Jackson
Michele Jackson
Metro Board Secretary

Metro
Los Angeles County Metropolitan Transportation Authority

RECAP OF PROCEEDINGS

LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY

SPECIAL BOARD MEETING
THURSDAY, MAY 14, 2009

			DIRECTORS VOTING													
ATTENDANCE			P	P	P	A	P	P	A	A	P	P	P	A	P	A
ITEM NO.	SUBJECT ITEM	ACTION TAKEN	ROBINSON	ANTONOVICH	HUIZAR	RIDLEY-THOMAS	KATZ	NAJARIAN	VILLARAIGOSA (CHAIR)	KNABE	YAROSLAVSKY	DUBOIS	O'CONNOR	MOLINA	FASANA	FAILING
1	RECEIVE THE FISCAL YEAR 2010 PROPOSED BUDGET FOR REVIEW AND CONSIDERATION.	RECEIVED	P	P	P	A	P	P	A	A	P	P	P	A	P	
2	RECEIVE AND FILE THE MAJOR ASSUMPTIONS FOR THE FINANCIAL FORECAST FOR THE 2009 LONG RANGE TRANSPORTATION PLAN FOR LOS ANGELES COUNTY.	RECEIVED AND FILED	Y	A	A	A	Y	Y	A	A	Y	Y	Y	A	Y	
3	RECEIVE PUBLIC COMMENT.	RECEIVED	P	A	P	A	P	P	A	A	A	P	P	A	P	

LEGEND: Y-YES, N-NO, C-CONFLICT, AB-ABSTAIN, P-PRESENT, A-ABSENT