



MAY 10, 2002

Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
90012-2952

TO: BOARD OF DIRECTORS

THROUGH: ROGER SNOBLE
CHIEF EXECUTIVE OFFICER

FROM: TERRY MATSUMOTO
EXECUTIVE OFFICER - FINANCE AND
TREASURER

SUBJECT: FOLLOW-UP TO FY03 BUDGET BRIEFING

ISSUE

The attached information provides further clarification of the materials presented at the Board Staff briefing on the proposed FY03 budget.

DISCUSSION

Attachment 1: FY02 to FY03 FTE Reconciliation

MTA staff reported that there had been a significant re-organization implemented by the CEO. In accordance with generally accepted reporting practices, the presentation and the budget book display the FY02 budget FTE's reclassified into the new organizational structure. Board Staff has requested additional detail to demonstrate the organizational changes. This attachment compares the FY03 organization to FY02, not reclassified, to show the transfers and increases by department.

Attachment 2: Bus Costs Not Included in Sector Costs

This attachment details "non-sector bus operating expenses" referred to in footnote 1 on page 2-4 of the budget book.

Attachment 3: Discussion of Fringe Benefit Changes

Fringe benefits represent a substantial increase in the proposed FY03 budget. Attachment 3 details the reasons for the increases.

NEXT STEPS

The proposed FY03 budget will be discussed in detail with the Board of Directors at the special Board meeting on May 13, 2002.

Attachments (as described above)

FY02 TO FY03 FTE RECONCILIATION

	FY02 ADOPTED BUDGET	FY03 PROPOSED	Δ
1 TRANSIT OPERATIONS BUSINESS UNIT			
2 TRANSIT OPERATIONS			
3 BUS TRANSPORTATION	4,250.04		(4,250.04)
4 MAINTENANCE	2,029.75		(2,029.75)
5 TRANSIT OPERATIONS SUPPORT	126.00		(126.00)
6 METRO RAIL	679.26	921.76	242.50
7 SAN FERNANDO VALLEY SERVICE SECTOR		993.04	993.04
8 SAN GABRIEL VALLEY SERVICE SECTOR		938.16	938.16
9 GATEWAY CITIES SERVICE SECTOR		815.19	815.19
10 SOUTH BAY SERVICE SECTOR		1,209.17	1,209.17
11 WEST SIDE/CENTRAL SERVICE SECTOR		1,295.91	1,295.91
12 CONTRACT SERVICES		3.00	3.00
13 SERVICE DEVELOPMENT		147.23	147.23
14 CENTRAL MAINTENANCE		448.50	448.50
15 CENTRAL CONTROL & INSTRUCTION		191.00	191.00
16 VEHICLE TECHNOLOGY		49.00	49.00
17 FACILITIES		342.76	342.76
18 NEW TECHNOLOGY & SYSTEM IMPROVEMENT		9.00	9.00
19 OPERATIONS SECURITY		101.00	101.00
20 SAFETY		26.00	26.00
21 CONGESTION RELIEF SUPPORT		10.00	10.00
22 EXECUTIVE OFFICE, TRANSIT OPERATIONS	2.00	9.00	7.00
23 TRANSIT OPERATIONS Total	7,087.05	7,509.72	422.67
25 ENGINEERING & CONSTRUCTION BUSINESS UNIT			
26 ENGINEERING & CONSTRUCTION			
27 CONSTRUCTION	22.00	22.00	(0.00)
28 ENGINEERING	76.20	78.00	1.80
29 EXECUTIVE OFFICE, CONST	5.00	9.00	4.00
30 PROGRAM MANAGEMENT	34.00	35.00	1.00
31 PUBLIC AFFAIRS	8.00		(8.00)
32 QUALITY MANAGEMENT	16.00	14.00	(2.00)
33 ENGINEERING & CONSTRUCTION Total	161.20	158.00	(3.20)
35 COUNTYWIDE PLANNING & DEV. BUSINESS UNIT			
36 COUNTYWIDE PLANNING & DEVELOPMENT			
37 CAPITAL DEV & PROG	50.00		(50.00)
38 COUNTYWIDE PLANNING	42.00		(42.00)
39 OPERATIONS PLANNING	56.75		(56.75)
40 EXECUTIVE OFFICE, REG TRANSP PLAN & DEV	4.00	4.00	0.00
41 LONG RANGE PLANNING & COORDINATION		35.00	35.00
42 PROGRAMMING & POLICY ANALYSIS		35.00	35.00
43 TRANSP DEV & IMPLEMENT	65.50	65.00	(0.50)
44 COUNTYWIDE PLANNING & DEVELOPMENT Total	218.25	139.00	(79.25)
46 COMMUNICATIONS BUSINESS UNIT			
47 COMMUNICATIONS			
48 EXECUTIVE OFFICE, COMMUNICATIONS		5.00	5.00
49 PUBLIC RELATIONS		7.00	7.00
50 MKTG./ADVERTISING & CUST. RELATIONS		143.50	143.50
51 CUSTOMER & VENDOR SERVICES		53.00	53.00
52 CREATIVE SERVICES		13.00	13.00
53 COMMUNICATIONS Total	0.00	221.50	221.50

FY02 TO FY03 FTE RECONCILIATION

		FY02 ADOPTED BUDGET	FY03 PROPOSED	Δ
1	SUPPORT SERVICES BUSINESS UNIT			
2	RISK MANAGEMENT			
3	RISK MANAGEMENT	20.00	62.00	42.00
4	RISK MANAGEMENT Total	20.00	62.00	42.00
5	OFFICE OF THE CFO			
6	OFFICE OF THE CFO	2.00	2.00	0.00
7	OFFICE OF THE CFO Total	2.00	2.00	0.00
8	OFFICE OF PROCUREMENT			
9	SMALL BUSINESS DIVERSITY & LABOR COMPLIANCE	17.00		(17.00)
10	CONTRACT SUPPORT	28.50	30.00	1.50
11	CONTRACTS	30.00	28.00	(2.00)
12	CONTRACTS-CONSTRUCTION	45.90	41.00	(4.90)
13	EXECUTIVE OFFICE - PROCUREMENT	7.00	7.00	0.00
14	MATERIEL	203.00	205.25	2.25
15	OFFICE OF PROCUREMENT Total	331.40	311.25	(20.15)
16	MANAGEMENT AUDIT SERVICES			
17	MANAGEMENT AUDIT SERVICES	72.00	68.00	(4.00)
18	MANAGEMENT AUDIT SERVICES Total	72.00	68.00	(4.00)
19	INFORMATION & TECHNOLOGY SERVICES			
20	INFORMATION & TECHNOLOGY SERVICES	166.00	164.03	(1.97)
21	INFORMATION & TECHNOLOGY SERVICES Total	166.00	164.03	(1.97)
22	FINANCE			
23	ACCOUNTING	71.75	82.00	10.25
24	REVENUE ADMINISTRATION	147.00		(147.00)
25	EXECUTIVE OFFICE, FINANCE	3.00	3.00	0.00
26	OFFICE OF MANAGEMENT & BUDGET	25.00	25.00	0.00
27	TREASURY	11.00	67.00	56.00
28	FINANCE Total	257.75	177.00	(80.75)
29	SUPPORT SERVICES BUSINESS UNIT Total	849.15	784.28	(64.88)
30	CHIEF OF STAFF BUSINESS UNIT			
31	CHIEF OF STAFF			
32	BOARD RESEARCH SERVICES		15.00	15.00
33	DIVERSITY & ECONOMIC OPPORTUNITY		25.00	25.00
34	EXECUTIVE OFFICE, CHIEF OF STAFF		11.25	11.25
35	LABOR/EMPLOYEE RELATIONS		23.00	23.00
36	POLICY, RESEARCH & LIBRARY SERVICES (PRLS)		6.00	6.00
37	PUBLIC AFFAIRS		23.50	23.50
38	CHIEF OF STAFF Total	0.00	103.75	103.75
39	ADMINISTRATION			
40	EXECUTIVE OFFICE, ADMINISTRATION	3.00	14.00	11.00
41	GENERAL SERVICES	100.00	96.00	(4.00)
42	MKTG./CUST. RELATIONS	142.50		(142.50)
43	REAL ESTATE	21.50		(1.50)
44	HUMAN RESOURCES		59.00	59.00
45	EMPLOYEE RELATIONS	3.00		(3.00)
46	EQUAL EMPLOYMENT OPPORTUNITY	7.00		(7.00)
47	HR ADMINISTRATION	24.00		(24.00)
48	HR DEVELOPMENT & TRAINING - HRDT	12.00		(12.00)
49	HUMAN RESOURCES - PERSONNEL	48.00		(48.00)
50	ADMINISTRATION Total	361.00	189.00	(172.00)
51	CHIEF OF STAFF BUSINESS UNIT Total	361.00	292.75	(68.25)

FY02 TO FY03 FTE RECONCILIATION

		FY02 ADOPTED BUDGET	FY03 PROPOSED	Δ
1	BOARD OF DIRECTORS BUSINESS UNIT			
2	CHIEF EXECUTIVE OFFICE			
3	CHIEF EXECUTIVE OFFICE	1.00	1.00	0.00
4	BOARD RESEARCH SERVICES	5.00		(5.00)
5	CHIEF OF STAFF	4.00		(4.00)
6	DEPUTY CEO/COO	3.00		(3.00)
7	GOVERNMENT RELATIONS	8.00		(8.00)
8	LABOR RELATIONS	16.00		(16.00)
9	MEDIA RELATIONS	7.00		(7.00)
10	NEW BUSINESS DEVELOPMENT	4.00		(4.00)
11	SYSTEM SAFETY & SECURITY	140.00		(140.00)
12	CHIEF EXECUTIVE OFFICE Total	188.00	1.00	(187.00)
13	BOARD OF DIRECTORS			
14	COUNTY COUNSEL	4.00	5.00	1.00
15	ETHICS OFFICE	6.00	6.00	0.00
16	INSPECTOR GENERAL	42.00	32.00	(10.00)
17	OFFICE OF BOARD SECRETARY	9.00	9.00	0.00
18	BOARD OF DIRECTORS Total	61.00	52.00	(9.00)
19	BOARD OF DIRECTORS BUSINESS UNIT Total	249.00	53.00	(196.00)
20	Grand Total	8,925.65	9,158.24	232.59

SYSTEMWIDE BUS COSTS NOT INCLUDED IN SECTOR COSTS

	DEPARTMENT	FY03 PROPOSED BUDGET
1	TRANSIT OPERATIONS	
2	METRO RAIL	\$277,235
3	SAN FERNANDO VALLEY SERVICE SECTOR	1,475,519
4	SAN GABRIEL VALLEY SERVICE SECTOR	1,539,915
5	GATEWAY CITIES SERVICE SECTOR	1,122,302
6	SOUTH BAY SERVICE SECTOR	1,692,395
7	WEST SIDE/CENTRAL SERVICE SECTOR	1,787,033
8	CENTRAL CONTROL & INSTRUCTION	13,755,710
9	CENTRAL MAINTENANCE	48,178,506
10	SERVICE DEVELOPMENT	5,065,713
11	FACILITIES	14,870,315
12	VEHICLE TECHNOLOGY	2,209,999
13	OPERATIONS SECURITY	26,177,111
14	SAFETY	1,010,399
15	EXECUTIVE OFFICE, TRANSIT OPERATIONS	1,596,233
17	TRANSIT OPERATIONS BUSINESS UNIT Total	120,758,387
19	COMMUNICATIONS	
20	EXECUTIVE OFFICE, COMMUNICATIONS	1,042
21	MKTG./ADVERTISING & CUST. RELATIONS	3,539,923
22	CUSTOMER & VENDOR SERVICES	4,269,839
23	CREATIVE SERVICES	89,778
25	COMMUNICATIONS BUSINESS UNIT Total	7,900,581
26	SUPPORT SERVICES BUSINESS UNIT	
27	FINANCE	
28	ACCOUNTING	4,198,750
29	TREASURY	11,800,442
30	FINANCE Total	15,999,192
31	INFORMATION & TECHNOLOGY SERVICES	
32	INFORMATION & TECHNOLOGY SERVICES	50,090
33	INFORMATION & TECHNOLOGY SERVICES Total	50,090
34	MANAGEMENT AUDIT SERVICES	
35	MANAGEMENT AUDIT SERVICES	41,511
36	MANAGEMENT AUDIT SERVICES Total	41,511
37	OFFICE OF PROCUREMENT	
38	CONTRACTS	195,191
39	MATERIEL	9,275,860
40	NON-DEPARTMENTAL MATERIAL	2,111,000
41	OFFICE OF PROCUREMENT Total	11,582,051
42	RISK MANAGEMENT	
43	RISK MANAGEMENT	1,245,697
44	RISK MANAGEMENT Total	1,245,697
45	SUPPORT SERVICES BUSINESS UNIT Total	28,918,541
46	CHIEF OF STAFF BUSINESS UNIT	
47	CHIEF OF STAFF	
48	PUBLIC AFFAIRS	73,130
49	CHIEF OF STAFF Total	73,130
50	ADMINISTRATION	
51	GENERAL SERVICES	72,800
52	REAL ESTATE	844,027
53	ADMINISTRATION Total	916,827
54	CHIEF OF STAFF BUSINESS UNIT Total	989,957
55	Grand Total	\$158,567,466
56		
57	REVENUE SERVICE HOURS	7,541,717
58	COST PER REVENUE SERVICE HOUR	\$21.03

EXPLANATION OF FRINGE BENEFIT INCREASES

Active Employee Health Care Costs Rise Because of Premium and FTE Increases

The increased number of FTEs in FY03 and substantial increases in medical premiums will increase health and welfare costs by \$4.1 million, or 21 percent. Similar increases have affected other public entities. On April 17 2002, CalPERS, the largest purchaser of public employee health benefits in California, approved the 2003 health care package, which includes an average rate increase of 25 percent for health maintenance organizations (HMOs), and 22 and 19 percent for their preferred provider choices.

Retiree Health Care Costs Rise Because of Premium, Expected Number of Retiree Increases

The retiree medical and life expense increased by \$15.6 million, or 96 percent. The MTA's retiree medical expenses are based on the expected number of retirements that will occur during the fiscal year and the estimated discounted future cost of each new retiree's medical benefit. We are expecting a large increase, 48 percent, in expected retirements across all union groups and non-contract employees over last year. In addition, sharply higher benefits costs will increase the expense for new retirees and will require adjustments for current retirees.

Pension Costs Rise Because of Poor Asset Performance and Payroll Growth

Our sponsored pension plan and CalPERS contributions are also up substantially because of below actuarially assumed investment returns for the second straight year and slightly higher payrolls. The increased aggregate deficit across all of the plans requires the MTA to make up a portion of the shortfall. As an example of this increase, the MTA made no contribution to the non-contract pension plan last year but will contribute approximately \$1.5 million this year. Not only has the MTA's contributions increased, but the actuarially recommended ATU, TCU and UTU pension plan contributions made by employee payroll deductions will also increase.

Other Fringe (payroll taxes, time off) Costs Rise Because of Payroll Growth

Finally, payroll taxes and time off benefit costs are also increasing because of wage growth and an increase in FTEs resulting from Pasadena Gold Line startup.