



Los Angeles County  
Metropolitan  
Transportation  
Authority

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DECEMBER 20, 2001

**TO: BOARD OF DIRECTORS**

**THROUGH: ROGER SNOBLE**  
**CHIEF EXECUTIVE OFFICER**

**FROM: TERRY MATSUMOTO**  
**EXECUTIVE OFFICER, FINANCE AND TREASURER**

**SUBJECT: FIRST QUARTER FISCAL YEAR 2002 UNAUDITED**  
**FINANCIAL REPORT**

**ISSUE**

The following financial report is management's discussion and analysis of the financial results for the first quarter of fiscal year 2002.

**DISCUSSION**

**ENTERPRISE FUND**

The Enterprise Fund accounts for bus and rail operations in a manner similar to private business enterprises, where the determination of revenues, expenses and operating income is useful for management control and accountability. Transit fares provide about 24% of the operating funding for bus and rail service with the remaining financing received from tax subsidies and grants.

**SUMMARY OF OPERATING RESULTS**

For the quarter ended September 30, 2001 net income was \$0.7 million reducing the accumulated retained earnings deficit from \$63.3 million to \$62.6 million. For the quarter ended September 30, 2000, the Enterprise Fund recorded a net loss of \$12.5 million.

**REVENUES**

Passenger revenues were \$1.1 million under budget reflecting lower boardings in the month of September due to the national emergency. The average fare in the first quarter was \$0.532 compared with \$0.536 for fiscal year 2001, reflecting the continuing shift of passengers to discounted fare media. Net non-operating items were \$6.0 million below budget. Federal grant revenues were \$6.6 million under budget consistent with lower than planned grant reimbursable maintenance expenses.

## EXPENSES

Operating expenses net of depreciation were \$24.8 million or 8.4% lower than budget. Fuel prices were lower than budget. Purchased transportation did not reach the higher budgeted level because the additional contracted service had not yet been secured. Also, there were lower than expected administrative support costs and vacant LAPD and LASD positions. Operating expenses net of depreciation expense and total revenue service hours, bus and rail, for the quarter were \$192.7 million and 2.0 million, respectively. First quarter FY 2001 operating expenses net of depreciation were \$186.1 million and service hours were 1.6 million. The system did not operate for the last 15 days of the quarter as a result of a strike.

## COST PER REVENUE SERVICE HOUR

	BUS	LIGHT RAIL	HEAVY RAIL
Q1, FY 2002 Budget	\$97.53	\$290.58	\$238.93
Q1, FY 2002 Actual	\$90.45	\$341.28	\$202.71
Increase (Decrease)	(\$7.08)	\$50.70	(\$36.22)

**Bus cost per Revenue Service Hour** is \$7.08 lower than budget because of lower costs for fuel, purchased transportation and administration.

**Light Rail cost per Revenue Service Hour** is \$50.70 higher than budget due to the delay in completion of Blue Line platform extensions that delayed the implementation of three car trains.

**Heavy Rail cost per Revenue Service Hour** is \$36.22 lower than budget because of lower than budgeted administrative costs and delays in implementing programs (mostly preventative maintenance).

## SPECIAL REVENUE FUNDS

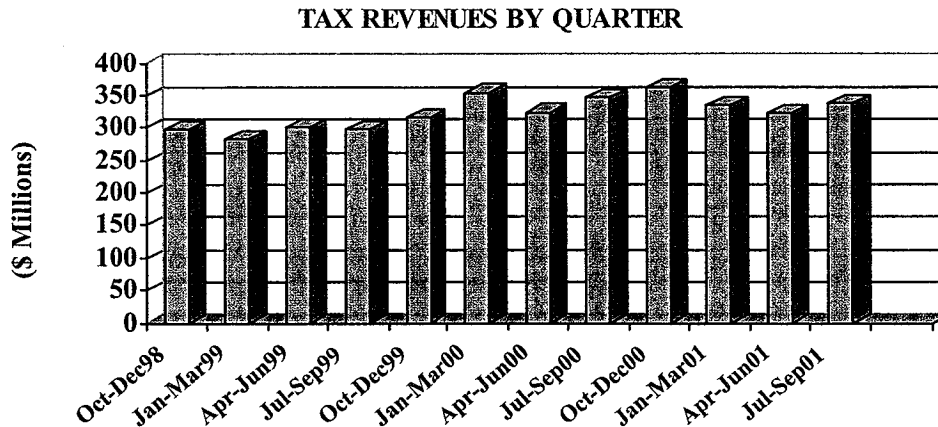
Special revenue funds are used to account for sales tax and other revenues that are legally restricted to expenditures for specific purposes. In accordance with generally accepted accounting principles, the financial results in this fund are reported on the "flow of funds" basis. The primary uses of these funds are transfers to other MTA funds, including Enterprise, Debt Service and Capital Projects, and subsidies and grants to transportation agencies throughout L.A. County.

## SUMMARY OF RESULTS

At September 30, 2001, the total Special Revenue fund balance was \$807.9 million. \$671.9 million was reserved for transportation projects previously approved by the MTA, \$12.9 million was reserved for advances, and \$123.1 million was identified as designated for transportation improvements. At June 30, 2001 the corresponding amounts were \$557.9 million, \$12.9 million and \$153.2 million, respectively.

## REVENUES

Revenues were \$16.5 million or 4.5% under budget. Sales tax revenues (Prop A, Prop C, TDA, and STA) were \$9.3 million under budget reflecting STA revenues for FY '01 not received until November. The following graph shows quarterly receipts for previous twelve quarters.



## EXPENDITURES

Expenditures were \$110.7 million lower than budget. Subsidies to other agencies were \$96.3 million under budget reflecting the lag in processing MOUs. General and administrative, professional services, MTA programming, planning and project management, expenditures were \$14.8 million under budget due to lower overall expenditure levels.

## CAPITAL PROJECTS FUND

The Capital Projects fund is used to account for financial resources to be used for the acquisition and construction of major capital assets. In accordance with generally accepted accounting principles, the financial results in this fund are reported on the "flow of funds" basis.

## SUMMARY OF RESULTS

At September 30, 2001, the Capital Projects fund balance was \$76.6 million. \$490.1 million was reserved for encumbrances, contracts executed but not yet completed, for the construction or acquisition of assets previously approved by the MTA. The unreserved, undesignated fund balance deficit of \$413.4 million indicates the commitment of future revenues required for future expenditures against approved multi-year projects. At June 30, 2001, the reserved and unreserved, undesignated fund balances were \$386.7 million and (\$305.7) million, respectively.

## REVENUES

Intergovernmental revenues were \$48.6 million, or 64.5%, below budget due to lower than planned capital expenditures related to the light rail and heavy rail transit projects. Intergovernmental revenue is earned on a cost reimbursement basis. Therefore, when the related

capital expenditures are lower than the budgeted projections, the related grant revenue is also lower than the budgeted amount. These light and heavy rail projects were under budget due to delays in fabrication, testing, delivery and acceptance for the LA Light Rail Car. Other under-runs were due to delays in the procurement process and the resolution of claims.

## EXPENDITURES

Expenditures were \$65.9 million under budget. The significant components of the under run were:

### Light and Heavy Rail Capital:

- L.A. Car - \$8.5 million under budget due to delays in fabrication, testing, delivery and acceptance.
- Under runs on other projects include:
  - Segment 3 North Hollywood - \$8.7 million
  - Segment 2 - \$2.6 million
  - Eastside light rail Transit - \$8.0 million
- Remaining capital projects were \$36.6 million under budget due to overly optimistic budgets.

## OTHER FUNDS

The remaining MTA funds are governmental type funds whose financial results, in accordance with generally accepted accounting principles, are reported on the "flow of funds" basis. Selected highlights include:

**GENERAL FUND** – At September 30, 2001, total revenues were \$18.9 million over budget because lease proceeds totaling \$20.6 million were received in the first quarter. Of this amount, \$14 million resulted from a transaction that had been planned to close in June 2001. Total operating expenses were \$9.8 million under budget due to the low level of activity that is typical of the first quarter. The unreserved, undesignated fund balance of \$42.9 million at September 30, 2001, represents lease/leaseback proceeds.

**DEBT SERVICE FUND** – At September 30, 2001, debt and interest expenditures were \$10.2 million, 13.6%, under budget due to under-runs in programs financed by debt. Planned refundings were delayed to subsequent quarters.

## NEXT STEP

Please call Terry Matsumoto, Executive Officer, Finance and Treasurer, at 213.922.2473 if you have any questions about this report.

**Los Angeles County Metropolitan Transportation Authority**  
**Condensed Statement of Revenues, Expenses and Changes in Retained Earnings for Enterprise Fund**  
**For the three months ended September 30, 2001**  
**(Amounts expressed in thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Over/ (Under)</u>
Revenues	\$ 64,906	\$ 63,814	\$ (1,092)
Expenses	<u>293,678</u>	<u>268,864</u>	<u>(24,814)</u>
Operating income (loss)	(228,773)	(205,050)	23,723
Nonoperating revenues	29,513	23,552	(5,961)
Other financing sources / (uses)	<u>204,218</u>	<u>182,203</u>	<u>(22,015)</u>
Net income	4,958	705	(4,253)
Retained Earnings (deficit) - beginning of year	<u>(63,293)</u>	<u>(63,293)</u>	<u>-</u>
Retained Earnings (deficit) - end of period	<u>\$ (58,335)</u>	<u>\$ (62,588)</u>	<u>\$ (4,253)</u>

**Los Angeles County Metropolitan Transportation Authority**  
**Condensed Statement of Revenues, Expenditures and Changes in Fund Balance for Special Revenue Funds**  
**For the three months ended September 30, 2001**  
**(Amounts expressed in thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Over/ (Under)</u>
Revenues	\$ 370,140	\$ 353,663	\$ (16,477)
Expenditures	<u>202,898</u>	<u>92,188</u>	<u>110,710</u>
Excess (deficiency) of revenues over expenditures	167,242	261,475	94,233
Nonoperating revenues	-	4,715	4,715
Other financing sources/(uses)	<u>(197,368)</u>	<u>(182,136)</u>	<u>15,232</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(30,126)	84,054	114,180
Fund balance (deficit) - beginning of year	<u>723,880</u>	<u>723,880</u>	<u>-</u>
Fund balance (deficit) - end of period	<u>\$ 693,754</u>	<u>\$ 807,934</u>	<u>\$ 114,180</u>

**Los Angeles County Metropolitan Transportation Authority**  
**Condensed Statement of Revenues, Expenditures and Changes in Fund Balance for Capital Projects Funds**  
**For the three months ended September 30, 2001**  
**(Amounts expressed in thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over/ (Under)</u>
Revenues	\$ 75,419	\$ 34,433	\$ (40,986)
Expenditures	<u>113,849</u>	<u>48,070</u>	<u>65,779</u>
Excess (deficiency) of revenues over expenditures	(38,430)	(13,637)	24,793
Nonoperating revenues	-	933	933
Other financing sources/(uses)	<u>166,277</u>	<u>8,322</u>	<u>(157,955)</u>
Excess (deficiency) of revenues and financing sources over expenditures and financing uses	127,847	(4,382)	(132,229)
Fund balance (deficit) - beginning of year	81,026	81,026	-
Fund balance (deficit) - end of period	<u>\$ 208,873</u>	<u>\$ 76,644</u>	<u>\$ (132,229)</u>

**Los Angeles County Metropolitan Transportation Authority**  
**Condensed Statement of Revenues, Expenditures and Changes in Fund Balance for All Other Funds**  
**For the three months ended September 30, 2001**  
**(Amounts expressed in thousands)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Over/ (Under)</u>
Revenues	\$ 12,352	\$ 29,350	\$ 16,998
Expenditures	<u>182,648</u>	<u>179,166</u>	<u>3,482</u>
Excess (deficiency) of revenues over expenditures	(170,296)	(149,816)	20,480
Nonoperating revenues	88,513	106,936	(18,423)
Other financing sources/(uses)	<u>80,916</u>	<u>67,726</u>	<u>(13,190)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(867)	24,846	25,713
Fund balance (deficit) - beginning of year	<u>368,420</u>	<u>368,420</u>	<u>-</u>
Fund balance (deficit) - end of period	<u>\$ 367,553</u>	<u>\$ 393,266</u>	<u>\$ 25,713</u>



**Los Angeles County Metropolitan Transportation Authority**  
**Condensed Balance Sheets**  
**As of September 30, 2001**  
**(Amount expressed in thousands)**

	<u>Enterprise Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>All Other Funds</u>	<u>Asset / Debt Account Groups</u>
<b>Assets and other debit assets:</b>					
Cash & cash equivalents	\$ 115,523	\$ 670,955	\$ 106,273	\$ 187,482	
Investments			2,502	-	
Receivables	42,828	145,113	95,139	65,532	
Other assets	65,396	-	550	707	
Restricted assets	147,702	10,324	27,865	320,382	
Fixed assets - net	5,880,130	-	-	-	\$ 1,628,085
Amount to be provided for retirement of general long - term debt				-	-
				-	3,524,972
<b>Total assets and other debits</b>	<u>\$ 6,251,579</u>	<u>\$ 826,392</u>	<u>\$ 232,329</u>	<u>\$ 574,103</u>	<u>\$ 5,153,057</u>
<b>Liabilities, equity and other credits</b>					
Accounts payable & other liabilities	\$ 289,551	\$ 18,458	\$ 155,685	\$ 180,837	
Long-term debt	323,525	-	-	-	\$ 3,524,972
<b>Equity and other credits</b>					
Investment in general fixed assets					1,628,085
Retained earnings (deficit)	(62,588)	-	-	-	
Contributed capital	5,701,091	-	-	-	
Reserved / designated	-	684,794	490,074	283,938	
Unreserved, undesignated	-	123,140	(413,430)	109,328	
<b>Total liabilities and equity</b>	<u>\$ 6,251,579</u>	<u>\$ 826,392</u>	<u>\$ 232,329</u>	<u>\$ 574,103</u>	<u>\$ 5,153,057</u>