January 13, 2000

Metropolitan
Transportation
Authority

One Gateway Plaza
Los Angeles, CA
90012-2932

(213) 922-2000

TO: BOARD OF DIRECTORS

FROM: RICHARD BRUMBAUGH
CHIEF FINANCIAL OFFICER

SUBJECT: COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 1999

ISSUE

Attached for your review is the MTA's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 1999. The CAFR includes the MTA's annual financial statements audited by PriceWaterhouseCoopers LLP (PWC) and their unqualified opinion on the statements

When the FY99 unaudited financial statements were discussed at the Finance Committee on November 17, 1999, Directors Knabe and de la Vega requested that staff provide detailed explanations for FY99 Enterprise Fund budget variances for the specific lines of wages, benefits and overhead expenses when the numbers were finalized.

DISCUSSION

The Enterprise Fund is used to account for bus and rail operations. For the year, the Enterprise Fund shows a bottom line favorable budget variance of $13.1 million on $974.4 million of income and expense items. The Enterprise Fund was budgeted to break even.

The requested variance explanations for the wages, benefits and overhead line items are as follows:

- **Wages were $4.9 million, or 1.7 %, over budget on a base budget of $285.8 million:**

  $5.8 million over budget - Bus operator wages were over budget due to the cost of adding regular and BDOF FTEs required by the Consent Decree and lower utilization of BDOF operators due to an arbitration decision. In addition, unscheduled overtime exceeded budget primarily to train operators for new rail assignments associated with the MOS 2B opening.

$3.3 million over budget - Bus mechanic and service attendant wages were over budget due to the use of overtime to reduce the preventative maintenance program backlog. Daily inspections of CNG exhaust systems and fuel tanks implemented as additional precautionary measures to ensure safe operations increased mechanic labor utilization

$4.2 million under budget - Non-contract and TCU wages were under budget due to vacancies in Logistics, Purchasing, Fleet Management and Support Services, Transportation Administration, Customer Relations, Central Control Facility and Rail Administration.

- **Fringe Benefits were $7.1 million, 4.1%, over the budget of $174.4 million:**

  The $7.1 million unfavorable variance in fringe benefit expenses was primarily a result of a difference between the budgetary and accounting treatments of post-retirement benefits expenses. Post-retirement medical and insurance benefit expenses were budgeted on a cash basis. The proper accounting treatment accrued these costs and allocated to them to all funds including the Enterprise Fund.

- **Agency overhead was $8.7 million, 13.6%, over the budget of $64.4 million:**

  Overhead costs are allocated as a percentage of total agency labor. Actual total overhead costs were $3.2 million under budget. However, Enterprise Fund labor was higher than planned while labor charges to Special Revenue and Capital Projects Funds were lower than planned. Accordingly, a higher proportion of agency's overhead was allocated to this fund causing this variance.

Prepared by
Michael Funnye
Budget Director, OMB