



June 4, 1998

TO: BOARD OF DIRECTORS

FROM: ALLAN LIPSKY *Allan Lipsky*  
DEPUTY CHIEF EXECUTIVE OFFICER

SUBJECT: FISCAL YEAR 1998 - 1999 BUDGET BRIEFING RESPONSES

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**REPORT**

The CEO has presented a proposed FY 1998-99 budget for review and consideration prior to formal submission for adoption on June 24, 1998. Staff has been directed to facilitate review of the budget by the Board during the Board staff briefing, the workshop on June 8<sup>th</sup> and by the public at the public hearing on June 18<sup>th</sup>. Staff will then develop options for budgetary and organizational issues of particular concern to Directors and the public. When the budget is presented for adoption, staff will attempt to present alternatives for action on these issues. For example, staff may present alternatives to the proposed budgeted library closure such as reduced hours of service or staffing.

In addition, specific changes in the budget may be directed by Board action, in which case staff will modify the budget presentation. Attached is a discussion of some FY99 Budget items that are under review.

A final adopted budget document will be completed and distributed in July.

attachment

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## **FY99 Proposed Budget**

### **DISCUSSION OF ISSUES FROM BOARD BRIEFING**

#### **FARE INCREASE**

FY98 Budget: No increase

FY99 Budget: \$5 million

The proposed budget would increase cash and token fares by 10 cents effective November, 1998. Additional anticipated budget cost savings from workers compensation programs and reorganization efforts may avoid the need for a fare hike.

#### **Issues:**

- Potential for reduced ridership on all modes
- Change in fare media mix, could shift more riders to passes, impacting the farebox recovery ratio and further reducing the average fare per boarding
- For future, develop a comprehensive agency fare policy plan

#### **Options:**

- Delay fare increase until Spring, 1999 or later
- Reduce the amount of the fare increase to 5 cents to mitigate potential ridership loss

#### **INTERNS**

FY98 Budget: \$1,598,000

FY99 Budget: \$1,117,000

FTEs: 6

FTEs: 0.5

The FY99 budget includes reduced funding for college interns. These interns are not part of a centralized program but are proposed in individual cost center budgets. The FY99 budget does not include any funding for internships sponsored through the high school career development programs which were partially supported in prior years by federal grants. The FY99 Budget also does not include funds for the Transportation Careers Academy Program which operated academies at five high schools (four in Los Angeles Unified School District and one in Norwalk-La Mirada) and at four community colleges. This program was funded by a combination of funds from the MTA and grants from the Federal Transit Administration and U.S. Department of Education. Attached is a table which provides details of expenditures for community education programs.

Additional budgetary resources are available to sponsor internships. \$787,000 for transportation educational and technical programs, including funding for interns, was awarded to the Transportation Foundation of Los Angeles through the FY97 Call-for-Projects.

The benefits of the internship program are that the MTA can provide on-the-job training to enhance the skills of college students. Internships contribute to work force development, providing a potential pool of trained and qualified entry-level job candidates.

**Issues:**

- Use of discretionary funds in an austere budget environment
- The expiration of grant funds and lack of MTA support as a business partner for established programs puts state grants and MOUs with LAUSD in jeopardy

**Options:**

- Reduce funding in proposed FY99 Budget; reduce proposed budget by additional 50% and cut staff support.
- Fund Transit Academy at a reduced level and reduce other administrative expenditures
- Explore alternative sources for grant funding to fund internship programs
- Pursue private partnerships to sponsor internships
- Establish partnership to obtain interns through Call-for-Project funded transportation education programs awarded to the Transportation Foundation

**NON-REPRESENTED SALARY INCREASE**

FY98 Budget: No increase

FY99 Budget: \$1.9 million

The FY99 Budget includes a proposal to increase non-represented salaries by 1.7% based on the CPI increase for the past year. Non-represented employees have not received a salary increase since July, 1996.

**Issues:**

- Granting a pay increase while implementing a reduction in force.

**AREA TEAM REORGANIZATION**

FY98 Budget: \$2,456,170

FY99 Budget: \$1,450,000

FTEs: 64

FTEs: 57

Regional Transportation Planning and Development (RTP&D) has consolidated functions into three groups to provide a more integrated approach to resolving regional transportation issues resulting in a reduction of 7 FTEs in the Transportation Development & Implementation group.

- The Transportation Development & Implementation (TDI) will be modally structured and will focus on implementation of transportation projects and programs throughout the County.

TDI will retain an area team component to coordinate with local cities and communities. This groups will be comprised of senior level planners, experienced in complex issues of their assigned geographical area. This structure will provide a more integrated approach to resolving regional transportation issues.

- The Regional Transportation Planning group will be the transportation policy development unit, focusing on developing planning solutions to the county's transportation needs.
- The Capital Development & Programming group will focus on identifying regional solutions to implement the counties projects and programs effectively.

Attachments A and B provide the details a summary of the reorganization strategy and an organization chart with the new functional structure.

A full presentation will of the new organization will be presented at the Planning and Programming Committee meeting this month.

**Issues:**

- Providing a single point of contact to support municipalities and municipal operators

**EQUAL OPPORTUNITY DEPARTMENT REORGANIZATION**

FY98 Budget: \$2,826,409

FY99 Budget: \$1,860,035

FTEs: 35

FTEs: 24

The resignation of the Managing Director of Equal Opportunity coincided with the review of work processes and activities for the FY99 Budget. Opportunities were available for realigning the department sub-functions in line with major organizations and also for flattening of the organization to reduce overhead expenses. The Equal Opportunity department served two main functions, Equal Employment Opportunity and Contract Compliance (labor utilization and contract goal compliance). Equal Employment Opportunity (EEO) is responsible for investigating claims of disparate treatment by non-represented employees. In private organizations, including those such as aerospace contractors with major federal funding, this function is aligned with Human Resources. The DEO, Human Resources has experience and was responsible for Equal Opportunity in previous large organizations. Most organizations have aligned Contract Compliance with Procurement function. Compliance is considered a component of the terms and conditions for responsive performance of the contractual agreement. Under the new structure, 8 FTEs were reassigned to Human Resources to support EEO, and 18 FTEs were transferred to Procurement to support goal setting, certification, and labor compliance functions. Only 2 FTEs were reduced as a result of the reorganization, the remainder are due to demobilization and administrative efficiencies.

The benefits are expense savings and reduction of overhead. In addition the reorganization aligns activities closer to ancillary and supporting functions.

**Issues:**

- Perception that compliance arm is diluted
- Concerns that small and minority business community will not be served at optimum level

**Options:**

- Reinstate prior organizational structure

**TRANSIT BOND ASSISTANCE PROGRAM**

FY98 Budget: \$435,000

FY99 Budget: \$250,000

The Transit Bond Assistance Program is a bond guarantee program which facilitates the participation of minority/women/disadvantaged business enterprises on construction contract projects. This program was implemented in response to Federal regulation, 49 CFR 23.45 indicates that recipients of federal transportation funds, as a component of their Minority Business Enterprise Program, should provide assistance in overcoming barriers such as the inability to obtain bonding, financing, or technical assistance. MTA and City of Los Angeles entered into a joint agreement on March 1, 1995 with each party contributing \$7.5 million to the program. The City of Los Angeles has currently withdrawn \$3 million and plan to draw down an additional \$1 million on July 1, 1998.

In FY99, the budget includes expenses for continuation of a service contract with Pacific General Insurance to administer the bond application and review process. MTA is exploring alternatives which would satisfy the federal mandate and while still facilitating the needs of minority/women businesses. However, MTA Executive management has committed that the agency would not allow a sub-contractor to be harmed as a result of eliminating this program.

There are cash flow benefits derived from lowering the level of services in line with the anticipated slowdown of contracting activity. The withdrawals of uncommitted funds increases cash available to MTA.

**Issues:**

- Staff is evaluating termination of the program and the service contract which would save approximately an additional \$200,000.

**Options:**

- Utilize the resources of the Department of Transportation which administers a Bonding Assistance Program for bids, payment and performance bonds on transportation- related projects ( Local agent, Project for Small Business Economic Development, Inc. is located in Culver City
- Phase out the program and reduce the scope of services

### **BOARD RESEARCH SERVICES**

FY98 Budget: \$406,917

FY99 Budget: \$420,150

FTEs: 3

FTEs: 5

The Board Research Services function remains in the FY99 budget reporting to Office of CEO. The positions partially funded by the COGs have been transferred to this unit in the FY99 budget. This function provides centralized support to the Board for research and inquiries.

#### **Issues:**

- Reporting relationship and staff alignment

#### **Options:**

- Split staff reporting relationships between Board and CEO
- Realign reporting relationship to Board
- Eliminate department
- Explore funding for regional support function through future Call-for-Project (FY00)

### **BLUE LINE SAFETY ADDITION**

FY98 Budget: No budget

FY99 Budget: \$2 to 5 million

In the May 21, 1998 Board meeting, the Executive Management Committee recommended approval of funding to implement Blue Line safety improvements. The implementation of the program is predicated upon the recommendations of a consultant study to be conducted in June/July FY98 (cost \$50,000 to \$75,000). The expanded program is currently not funded in the FY99 budget. The proposed program would add \$2 to \$5 million to the FY99 capital budget.

The benefits of this program are:

- Expand and improve public education program
- Installation of added safety elements, striping and lighting, to increase pedestrian awareness of incoming trains
- Installation of new pedestrian crossing arms in high-traffic areas
- Installation of new pedestrian gates in high-risk areas
- Expand photo enforcement program to new intersections

- Coordination with state and local municipalities to implement legislation to increase penalties for violating grade crossing and left turn prohibitions

**Issues:**

- Expending funds to address the most critical safety issues.

**LIBRARY CLOSING**

FY98 Budget: \$240,000

FY99: \$0

FTEs: 2 + intern

FTEs: 0

The FY99 budget proposes the closure of the MTA library. The proposed savings is \$240,000 in FY99. This is an on-going expense for an activity that is considered be a core business function of the agency. A detailed analysis of the elimination of library was performed by the one of the Budget Workout teams. That analysis is attached for your review.

The benefits of closing the library are the reduction in operating expenses and overhead combined with the potential reduction in off-site rental expenses because that space on the 15<sup>th</sup> floor can be reallocated to other functions currently housed in 818 and 707 buildings.

**Benefits:**

- Reduces operating expenses and overhead
- Potential space reallocation to reduce off-site office rental expenses

**Issues:**

- Convenience factor, if the function is moved off-site access would be limited for research (specifically impacts the Area Teams).

**Options:**

- Fund budget for first quarter while exploring other funding alternatives
- Keep library open with reduced hours of operations; supplement labor requirements with Special Assistants
- Increase usage of internet for research
- Have an outside institution run the operation
- Transfer assets to educational institution to establish a transportation sub-library. (Under discussion is a partnership with UCLA).
- Pursue grant funding to run the operation
- Expand fees for interlibrary loans, literature searches, overdue materials, and photocopying

## **HOLLYWOOD CONSTRUCTION IMPACT PROGRAM**

FY98 Budget: \$5,184,581

FY99 Budget: \$4,860,330

FTEs: 1

FTEs: 1

Funds were included in FY99 Budget for the Hollywood Construction Impact Program to assist residents, businesses and other stakeholders to mitigate impacts and issues resulting from Metro Rail construction in the Hollywood corridor. The FY99 budget of \$4,860,330 includes \$3 million for Community Redevelopment Agency, \$1.3 million for Public Affairs programs (for example; signage restoration, cleaning services, fencing, replacement parking and security) and \$500,000 for street restoration. The Public Affairs budget includes \$225,000 for security services for Highland Station construction through November, 1998. An additional \$500,000 is being requested for security services by Councilperson Jackie Goldberg. This funding, in conjunction with \$500,000 from the CRA, would maintain the level of security that is currently being provided through the this program (from Highland Ave. to Barnsdall Park). The additional expense enhances public security along the Hollywood corridor.

### **Issues:**

- Additional security is not funded in FY99 budget, need to reprioritize other projects to provide funding request
- Construction is winding down, MTA commitment was to provide mitigation efforts resulting from construction activities

### **Options:**

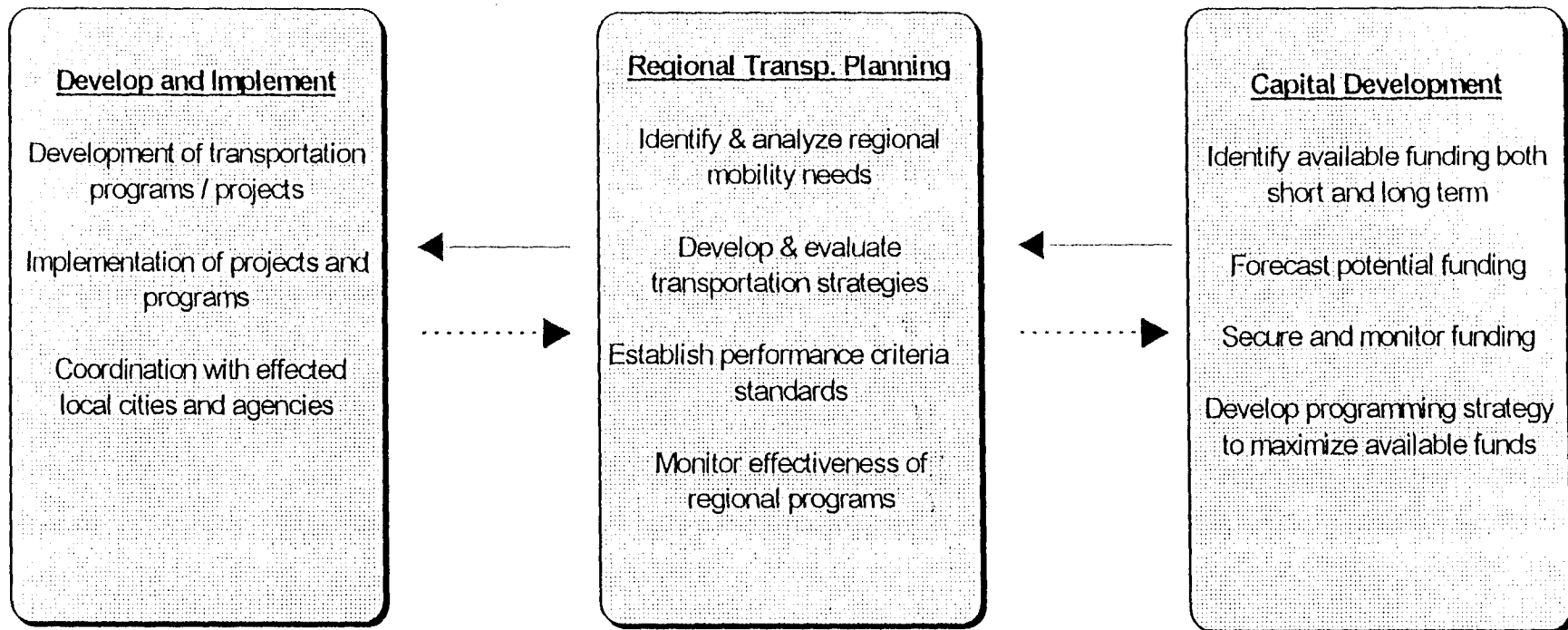
- Attempt to accommodate expanded security request within FY99 proposed funding levels for the Hollywood Mitigation project

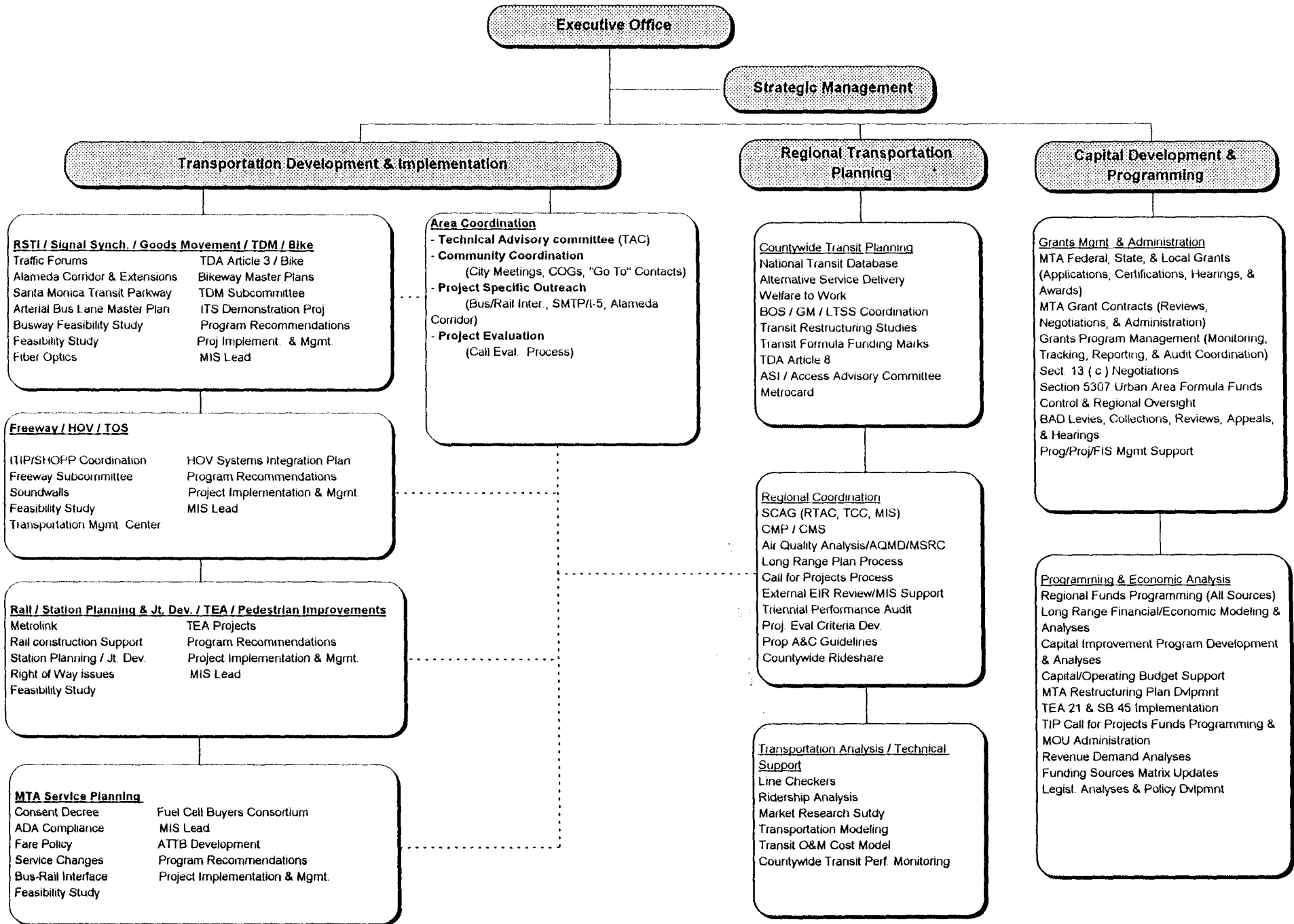


**SUMMARY OF CAREER EDUCATION PROGRAMS (\$000)**

	FY 98 Budget	FY 98 Reforecast	FY 99 Proposed Budget
Transportation Occupations	\$479	\$519	\$9
Transportation Careers Academy	360	403	0
Administration Intern	91	111	0
Transportation Teaching Institute	99	85	0
Job Development and Training	89	89	0
Transportation Industry Consortium	48	51	0
Signal Synchronization	159	100	99
Long Beach Transit Education	0	109	94
Less HR Grants	(643)	(496)	(193)
Sub-Total Human Resource	<u>681</u>	<u>971</u>	<u>9</u>
Department Interns	600	477	321
Transportation Foundation	150	150	787
Total Career Education	<u>\$1,431</u>	<u>\$1,598</u>	<u>\$1,117</u>

# Reorganizational Strategy





## *Elimination of the Library*

### Opportunity:

While the library on the 15<sup>th</sup> floor is renowned for its historical completeness, it has little or no utility for the current management or operation of the MTA. The floorspace should be used for current operations, replacing outside leased space at 818 or 707.

### Recommended Actions:

Eliminate the 15<sup>th</sup> floor library donating the collection to any qualified library. Eliminate the 3 FTE's supporting the library. Move approximately 29 FTE's from 818 or 707 into this space, subletting the vacant 818/707 space reducing that cost to zero.

### Discussion:

Several operating units of the MTA are currently not able to be housed in the Gateway building (e.g. internal audit) and are located in leased space elsewhere.

**CURRENT UTILIZATION:** The current library on the 15<sup>th</sup> floor is barely utilized. Based on six in-person observations on six different days and times, no user was observed using the reference materials.

**CURRENCY OF LIBRARY MATERIALS:** The documents housed in the library are far too old to have current significance for managing the MTA. A random examination of 46 reference volumes (selected from four different eye-level locations in the stacks) showed that the median publication date of these books is 1984 (only 3 of the 46 were from 1996 or 1997, 14 (30%) were from 1979 or earlier, the oldest in the sample being 1948).

**FLOORSPACE AND VALUE:** The library currently occupies approximately 3,600 square feet of office space on the 15<sup>th</sup> floor.

The value of the equivalent rented space in the 818 building is \$1.14 per square foot per month (\$73,340 monthly for 64,000 square feet).

Moving some of those operations into the Gateway Library space would therefore be valued at \$49,248 per year (3600 sq.ft. x \$1.14 x 12), or over a five year time horizon, \$246,240.

This would be offset by the one time cost to move those individuals, estimated by Building Services to be approximately \$500 per person (actually per cubicle).

Based on 125 sq. ft. per person, 3,600 sq. ft would accommodate approximately 29 people for a one-time move cost of \$14,500.

Additional savings from eliminating the three library FTE's would be approximately \$173,750.

*DRAFT - PRELIMINARY*

OPTIONS: We considered Planning's claim of heavy use of the librarian position for ad hoc research (presumably electronic and phone) and that position might be transferred to that organization (net savings \$104,250). A third option considered was to transfer this research function to Planning without an FTE and distribute the research function, mostly electronic, among the users of the research.. A fourth option considered was to transfer the collection to Records Management, possibly to be accompanied by a new 'curator' position attached to Records Management. These options eliminated some FTEs and some floorspace, but do not represent the maximum savings available.

We recommend that the existing collection, including substantially all of the fixtures be donated to any competent library that will accept them (Los Angeles Public, UCLA, USC, etc.).

**Investment:**

There are three components to implementation cost:

1. Cost to move 29 FTE's from 818/707 to Gateway estimated by Building Services to be \$14,500.
2. Cost to sublet the vacated 818/707 space. That space is currently valued at \$49,248 annually. A 5% commercial brokerage commission would be approximately \$2,500 and we assume an additional \$5,000 in miscellaneous vacation and cleaning costs for a total of \$7,500.
3. Cost to project manage the donation of the collection is estimated at one man-month or approximately \$8,600 (for a \$75,000 level manager).

Total investment is estimated to be \$16,100.

**Summary of Net Benefits:**

	1 <sup>st</sup> year	2 <sup>nd</sup> year	3 <sup>rd</sup> year	4 <sup>th</sup> year	5 <sup>th</sup> year
Savings on 818 rented space (assumes no annual lease escalation)	\$49,248	\$49,248	\$49,248	\$49,248	\$49,248
Savings from elimination 3 FTE's	\$173,750	\$173,750	\$173,750	\$173,750	\$173,750
One time move cost for 60 FTE's @ \$500 each	(\$14,500)				
Project Management and other miscellaneous implementation costs	(\$16,100)				
Annual net savings	\$192,398	\$222,998	\$222,998	\$222,998	\$222,998
Cumulative savings	\$192,398	\$415,396	\$638,394	\$861,392	\$1,084,390

*DRAFT - PRELIMINARY*

Probability of Success:

Very high. Savings are concrete and straightforward.

Sources of Risk:

- Intervention of the Board prohibiting transfer of the library collection.
- Delayed ability to sublet the vacated 818/707 space defers the savings but does not eliminate it.
- Potential that the sublease will be below MTA's lease rate creating somewhat smaller total savings.

Resource Constraints:

None.

Interdependencies:

Could be impacted by the proposal to freeze all internal personnel moves subject to the next major reorganization and downsizing.

Implementation Plan:

*DRAFT - PRELIMINARY*

ID	Task Name	Duration	May			June			July			August							
			4/2	5/3	5/10	5/17	5/24	5/31	6/7	6/14	6/21	6/28	7/5	7/12	7/19	7/26	8/2	8/9	8/16
1	Library Elimination	57d	[Task bar spanning from May 4/2 to July 7/19]																
2	Relocate Library	50d	[Task bar spanning from May 4/2 to July 7/12]																
3	Identify Suitable Recipient	40d	[Task bar spanning from May 4/2 to June 6/14]																
4	Move Collection	10d	[Task bar spanning from June 21 to June 31]																
5	Collection Relocated	0d	[Task bar spanning from July 19 to July 19]																
6	Move Operations from 707/818	62d	[Task bar spanning from May 4/2 to July 7/12]																
7	Plan	50d	[Task bar spanning from May 4/2 to July 7/12]																
8	Prep Space in Gateway	10d	[Task bar spanning from July 12 to July 22]																
9	Execute Move	2d	[Task bar spanning from July 22 to July 24]																
10	Move Completed	0d	[Task bar spanning from July 27 to July 27]																
11	Sublet 707/818 Space	57d	[Task bar spanning from May 4/2 to July 7/19]																
12	Identify Broker and List	20d	[Task bar spanning from May 4/2 to May 24]																
13	Execute Sublet Agreement	5d	[Task bar spanning from July 19 to July 24]																
14	Space Sublet	0d	[Task bar spanning from August 3 to August 3]																
15																			
16																			

DRAFT - PRELIMINARY

Appendix:

**FINDINGS, OBSERVATIONS, AND RECOMMENDATIONS FROM INVESTIGATIONS AND ANALYSES**

**Age of Reference Materials - Observations:** A random investigation of volumes for currency and relevancy to the MTA's core mission was performed in the stacks by selecting four random eye-level groupings of 10 to 12 books each on four different stacks. The series numbers are HE310, KF2424, HV6632, SCRTD. The publication dates are:

48	88
59	89
59	89
65	89
69	89
69	89
69	89
69	90
71	90
73	90
74	90
74	90
75	90
79	90
80	90
83	90
85	91
84	92
84	94
85	95
85	96
85	96
85	97

**Notes:**

Gateway Plaza contains 578,000 gross sq. ft. of space, 397,000 usable sq. ft. or about 16,000 usable sq. ft. per floor.

Current information from the library can be stored for retrieval in the RMC (records management center).

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