



May 1, 1998

**TO: BOARD OF DIRECTORS**  
**FROM: ALLAN LIPSKY**   
**DEPUTY CHIEF EXECUTIVE OFFICER**  
**SUBJECT: FISCAL YEAR 1998 - 1999 BUDGET PROCESS UPDATE**

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**ISSUE**

This report provides an update on the Fiscal Year 1998 - 1999 (FY99) Budget process as requested by the Board of Directors.

**REPORT**

The MTA's FY99 budget process builds from the work completed in the FY98 Operating Budget reforecast presented to the Board last November and the Capital Budget reforecast presented last December. At that time, staff indicated that the agency faced a \$50 million plus operating shortfall in FY99 even if premium rail fares and service efficiencies are implemented. Additionally, a \$512 million multi-year capital shortfall was identified.

In January two major efforts were begun to solve these problems. Julian Burke and his senior executive staff conducted a FY99 Budget meeting attended by more than 200 staff. Managers were reminded that the MTA is in a turn-around state and that the FY99 budget needs to reflect austerity. New ideas and approaches were solicited. The next week, I convened over 100 staff members from all areas of the agency to kick off the ten workout teams' efforts.

**Departmental Budgets and the Review Process**

In February, departments developed their "bottoms up" detailed budgets, and preliminary reviews were conducted. During this round of reviews, department heads gained a better understanding of austere budgeting requirements. Second and third reviews are now completed. The FY99 Budget will reflect in excess of \$20 million in overhead and planning operating budget reductions.

**Workout Teams**

The ten workout teams interviewed over 300 people inside and outside the agency to achieve their goal of generating savings by looking at existing situations in new ways.

The workout teams were not created only to solve an annual budget shortfall. These teams will generate ideas and start processes that will change the culture of the organization. The next step is to involve line management in reviewing, modifying and, most importantly, implementing the teams' recommendations. "Buy - in" is required from many parties: this step can not be rushed. As a result, the FY99 Budget will not reflect the line item reductions for most of the teams' ideas.

### **Revenue**

For the first time in many years the MTA's FY98 Operating Revenue Budget will be achieved. The same realistic approach to budgeting will be reflected in the FY99 Budget. This year, sales tax is trending ahead of the budget assumptions.

### **Next Steps**

As a result of the workout team calendar and the intensive departmental budget reviews, staff will distribute the FY99 Budget book at the end of May as in previous years. Revenue and departmental expenditure budgets are being finalized. Potential FY99 savings from the workout teams' recommendations are being verified. Finally, a working draft of the Budget book will be pulled together, formatted, and distributed. This year, the Budget book will not be finalized until changes directed by the Board are added and the Budget is formally approved.

Two budget workshops will be held in June. This year, Executive Officers will each present their budgets in addition to the agency overview presented by OMB.

### **Attachment**

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