



**Metro**

Los Angeles County  
Metropolitan Transportation Authority

One Gateway Plaza  
Los Angeles, CA 90012-2952

**21**

**FINANCE AND BUDGET COMMITTEE**  
**January 21, 2009**

**SUBJECT: FY09 FIRST QUARTER FINANCIAL PERFORMANCE**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

Receive and file the FY09 First Quarter Financial Performance Report.

**ISSUE**

This report discusses our FY09 First Quarter Financial Performance.

**DISCUSSION**

**SUMMARY OF SALES TAX REVENUES**

Prop A, Prop C, Transportation Development Act (TDA), and State Transit Assistance (STA) sales taxes represent over 60% or \$2 billion of our total budgeted revenues.

Actual sales tax information is not available until two and one-half months after the end of the quarter; therefore, first quarter sales tax data is not scheduled to be received until mid-December 2008. Since this will be after the deadline to prepare this written report, it will be presented as part of an oral summary at the committee. It is anticipated that revenue will be between 10% and 12% below the adopted budget for the same period.

STA revenues are sales taxes on gasoline and are allocated through the State budget process. Actual STA receipts totaling \$22.7 million were received in early November related to the first quarter reporting period. This amount is approximately 60% below the \$56.8 million budgeted for the quarter. The annual adopted budget for STA of \$227.1 million was based on the State Controller's estimate in January 2008. When the State budget was adopted in September 2008, the STA subsidies were reduced by \$136 million. A budget amendment to reduce our STA budget will be presented to the Board in January 2009.

## Outlook of Sales Tax Revenues

The FY09 adopted sales tax revenue budget was formulated using UCLA's forecast at the time the budget was prepared. The recent worldwide economic crisis points towards declines in sales tax revenues in the near term.

## SUMMARY OF ENTERPRISE FUND

Systemwide boardings were 128.1 million, 4.8 million (3.9%) more than budget, and 9.7 million (8.1%) more than last year. Higher boardings resulted in first quarter fare revenues of \$86.8 million, \$4.6 million (5.6%) more than budgeted and \$2.0 million (2.4%) more than last year. Fare revenue per boarding was \$0.68, 1.5% higher than budget, but 5.6% lower than last year. Advertising revenue met the budget of \$5.6 million.

| July 1 through September 30, 2008 (Boardings in millions) |                  |              |              |            |             |
|---|------------------|--------------|--------------|------------|-------------|
|   |                  | FY08 Q1      | FY09 Q1      | Change     | % Change    |
| 1   | MTA Bus          | 91.4         | 97.6         | 6.2        | 6.8%        |
| 2   | Contract Bus     | 3.4          | 3.5          | 0.1        | 2.4%        |
| 3   | Blue Line        | 6.2          | 7.0          | 0.8        | 12.5%       |
| 4   | Red Line         | 10.8         | 12.4         | 1.5        | 14.1%       |
| 5   | Gold Line        | 1.6          | 2.0          | 0.5        | 30.1%       |
| 6   | Green Line       | 3.1          | 3.5          | 0.4        | 14.0%       |
| 7   | Orange Line      | 1.9          | 2.1          | 0.2        | 8.9%        |
| 8   | <b>All Modes</b> | <b>118.4</b> | <b>128.1</b> | <b>9.7</b> | <b>8.1%</b> |

Operating expenses totaled \$290.0 million, \$17.2 million (5.6%) below budget. Labor savings accounted for \$6.6 million of this savings because we operated 1.6% less service than budgeted and left some positions vacant. Savings from vacant positions were partially offset by added overtime for the remaining employees. The resulting wage expenses were \$4.9 million below budget, and associated fringe benefits were \$1.7 million below budget. Fuel cost was lower than budget by \$0.6 million due to lower than anticipated usage of diesel and CNG. Parts cost was below budget by \$0.7 million due to greater than anticipated warranty recoveries from vendors. Professional services were below budget \$4.9 million due to delays implementing a number of new programs including: TAP; labor negotiations consulting; service planning and analysis systems development, and new rail programs such as overhead catenary system and battery replacement. Contract Services were \$2.6 million below budget due to delays receiving maintenance invoices from TAP and Facilities vendors. As a result of ongoing safety programs, liability costs were \$1.1 million below budget.

Propulsion power cost was \$0.8 million over budget due to higher summer peak usage seasonal electricity prices. All other expense categories were at or slightly below budget.

The combination of increased revenue and decreased cost resulted in a \$21.8 million first – quarter operating surplus.

| For the three months ended September 30, 2008       |                            |              |              |              |
|---|----------------------------|--------------|--------------|--------------|
|   | (Dollars in Millions)      | Actual       | Budget       | Variance     |
| <b>Operating Revenue</b>                            |                            |              |              |              |
| 1   | Fares                      | \$86.8       | \$82.2       | \$4.6        |
| 2   | Other                      | 5.6          | 5.6          | -            |
| 3   | Total                      | 92.4         | 87.8         | 4.6          |
| <b>Operating Expenses</b>                           |                            |              |              |              |
| 4   | UTU Labor                  | 62.4         | 66.3         | (3.8)        |
| 5   | ATU Labor                  | 32.3         | 32.3         | -            |
| 6   | AFSCME Labor               | 11.3         | 12.1         | (0.8)        |
| 7   | Non-Contract Labor         | 15.5         | 15.8         | (0.3)        |
| 8   | TCU Labor                  | 7.9          | 7.9          | -            |
| 9   | Teamster Labor             | 1.4          | 1.3          | 0.1          |
| 10  | Fringe Benefits            | 51.5         | 53.2         | (1.7)        |
| 13  | <b>Subtotal All Labor</b>  | <b>182.3</b> | <b>188.9</b> | <b>(6.6)</b> |
| 14  | Fuel                       | 15.5         | 16.1         | (0.6)        |
| 15  | Propulsion Power           | 6.5          | 5.7          | 0.8          |
| 16  | Parts                      | 18.4         | 19.1         | (0.7)        |
| 17  | Security Services          | 16.9         | 17.1         | (0.2)        |
| 18  | Purchased Transportation   | 10.3         | 10.4         | (0.1)        |
| 19  | Contract Services          | 7.0          | 9.6          | (2.6)        |
| 20  | Professional Services      | 1.8          | 6.7          | (4.9)        |
| 21  | Workers' Comp              | 9.4          | 9.4          | -            |
| 22  | Insurance                  | 14.2         | 15.3         | (1.1)        |
| 23  | Travel                     | -            | 0.1          | (0.1)        |
| 24  | Gateway Occupancy          | 4.1          | 4.1          | -            |
| 25  | All Others                 | 3.5          | 4.6          | (1.1)        |
| 26  | Total                      | \$289.9      | \$307.1      | (\$17.2)     |
| <b>Operating Expenses by Operating Project</b>      |                            |              |              |              |
| 27  | San Fernando Valley Sector | \$34.2       | \$33.9       | \$0.3        |
| 28  | San Gabriel Valley Sector  | 34.4         | 37.4         | (3.0)        |
| 29  | Gateway Cities Sector      | 31.6         | 35.0         | (3.4)        |
| 30  | South Bay Sector           | 37.1         | 39.3         | (2.2)        |
| 31  | Westside Central Sector    | 45.5         | 44.1         | 1.4          |
| 32  | Orange Line                | 4.6          | 6.1          | (1.5)        |
| 33  | Bus Admin                  | 14.9         | 15.5         | (0.6)        |
| 34  | Other Bus                  | 29.8         | 33.2         | (3.4)        |
| 35  | Red Line                   | 20.1         | 21.5         | (1.4)        |
| 36  | Blue Line                  | 15.0         | 16.1         | (1.1)        |
| 37  | Green Line                 | 9.3          | 9.8          | (0.5)        |
| 38  | Gold Line                  | 9.2          | 10.3         | (1.1)        |
| 39  | Rail Admin                 | 3.7          | 3.7          | -            |
| 41  | Regional                   | 0.6          | 1.3          | (0.7)        |
| 42  | Total                      | \$290.0      | \$307.2      | (\$17.2)     |
| Excludes: Muni share of EZ Pass, Debt, Depreciation |                            |              |              |              |

## Outlook of Enterprise Fund

The CEO has implemented a hiring freeze and a mandatory reduction of expenses related to professional services contracts, travel, training and other miscellaneous expenses. These reductions are expected to lower Enterprise Fund expenses to ameliorate the loss of STA revenues. These actions are expected to result in year-end expenditures lower than the adopted budget.

## SUMMARY OF PERFORMANCE MEASURES FOR BUS AND ORANGE LINE

For the Three Months Ended September 31, 2008

| Performance Measurement – Bus & Orange Line  | FY09 Actual | FY09 Budget | Variance Over/ (Under) | FY08 Actual | FY07 Actual |
|--|-------------|-------------|------------------------|-------------|-------------|
| 1 Bus Cost/Revenue Service Hour              | \$121.38    | \$125.07    | (\$3.69)               | \$113.87    | \$108.16    |
| 2 Orange Line Cost/Revenue Service Hour      | \$197.99    | \$251.69    | (\$53.70)              | \$176.14    | \$200.40    |
| 3 Bus Revenue Service Hours                  | 1,871,944   | 1,904,411   | (32,467)               | 1,868,729   | 1,896,323   |
| 4 Orange Line Revenue Service Hours          | 24,711      | 25,390      | (679)                  | 24,123      | 20,810      |
| 5 Bus Cost/Passenger Mile                    | \$0.58      | \$0.65      | (\$0.06)               | \$0.60      | \$0.55      |
| 6 Orange Line Cost/Passenger Mile            | \$0.40      | \$0.59      | (\$0.19)               | \$0.38      | \$0.41      |
| 7 Bus Subsidy/Passenger Mile                 | \$0.40      | \$0.45      | (\$0.06)               | \$0.40      | \$0.39      |
| 8 Orange Line Subsidy/Passenger Mile         | \$0.29      | \$0.47      | (\$0.18)               | \$0.26      | \$0.33      |
| 9 Complaints per 100,000 Boardings           | 2.62        | 2.70        | (0.08)                 | 2.78        | 2.58        |
| 10 Traffic Accidents/100,000 Miles           | 3.03        | 3.46        | (0.43)                 | 3.23        | 3.51        |
| 11 New Workers Comp Claims per 200,000 Hours | 13.22       | 13.92       | (0.70)                 | 13.45       | 13.89       |
| 12 Mean Miles Between Mechanical Failures    | 3,118       | 3,500       | (382)                  | 3,123       | 3,532       |
| 13 In-Service On-time Performance            | 64.90%      | 66.15%      | -1.25%                 | 64.4%       | 62.1%       |

## Discussion

Bus costs (excluding Orange Line) per Revenue Service Hour (RSH) were below the target by 2.9% because costs were \$11.0 million (4.6%) under budget while revenue service hours (RSH) were 1.7% under budget. RSH were below budget due to in-service delays. Operating expenses were 4.6% below budget due to under-expenditures in wages, benefits, fuel and services. Orange Line costs per RSH were below target because costs were 23.4% lower than budget, while RSH were 2.7% below budget. Bus and Orange Line passenger miles were 5.6% and 13.9% above budget respectively. Therefore, cost per passenger mile and subsidy per passenger mile were significantly better than budget.

Complaints per 100,000 boardings were lower than the annual target and lower than the previous year. The largest decrease in complaints were associated with fares, which peaked in July 2007 following the fare increase, and then declined, thereafter.

Traffic accidents per 100,000 miles were below target, and better than last year. Management continues to develop mitigation programs including defensive driving/accident awareness programs.

New workers' compensation claims per 200,000 hours were lower than the annual budget and last year. This is due to the ongoing safety program and safety meetings that focus on safety awareness and accident prevention.

Mean miles between mechanical failures requiring a bus exchange were worse than the target and the same as last year due to continuing battery and sensor related failures. In-service on-time performance was worse than the target, but slightly better than last year. It was negatively impacted by increased congestion and in-service delays.

## SUMMARY OF PERFORMANCE MEASURES FOR RAIL

For the Three Months Ended September 31, 2008

| Performance Measurement – Rail                   | FY09 Actual | FY09 Budget | Variance<br>Over/<br>(Under) | FY08 Actual | FY07 Actual |
|--|-------------|-------------|------------------------------|-------------|-------------|
| 1 Heavy Rail Cost/Vehicle Service Hour           | \$317.75    | \$338.88    | (\$21.13)                    | \$325.96    | \$290.99    |
| 2 Light Rail Cost/Vehicle Service Hour           | \$367.88    | \$396.15    | (\$28.26)                    | \$386.73    | \$375.61    |
| 3 Heavy Rail Cost/Passenger Mile                 | \$0.35      | \$0.48      | (\$0.14)                     | \$0.42      | \$0.40      |
| 4 Light Rail Cost/Passenger Mile                 | \$0.40      | \$0.53      | (\$0.13)                     | \$0.47      | \$0.48      |
| 5 Heavy Rail Subsidy/Passenger Mile              | \$0.19      | \$0.31      | (\$0.12)                     | \$0.26      | \$0.27      |
| 6 Light Rail Subsidy/Passenger Mile              | \$0.31      | \$0.43      | (\$0.13)                     | \$0.37      | \$0.40      |
| 7 New Workers Comp Claims per 200,000 Hours      | 6.63        | 10.89       | (4.26)                       | 13.06       | 11.39       |
| 8 Light Rail Vehicle Accident Rate/100,000 Miles | 0.79        | 0.50        | 0.29                         | 0.90        | 0.60        |

### Discussion

Light rail expenses were \$2.7 million (6.9%) below budget primarily due to lower than budgeted wages, benefits, and services expenses. These savings were partially offset by higher than budget propulsion power costs.

Heavy rail expenses were \$1.4 million (6.1%) below budget due to lower than budgeted wages, benefits, services, and insurance expenses. As with light rail, these savings were partially offset by higher than budgeted propulsion power costs.

Light and heavy rail vehicle service hours were on budget. Therefore, lower than budgeted cost per vehicle service hour were primarily due to lower expenses. The combination of lower than planned operating costs, with higher than planned boardings and corresponding fare revenues resulted in lower than expected cost per passenger mile and subsidy per passenger mile.

New workers' compensation claims were significantly below budget and below last year as a result of a renewed safety focus by Rail management and staff. Light rail accidents on the Blue Line, were over the target primarily due to automobile accidents caused by the automobile driver. Rail Operations continues to focus on safety awareness programs to help reduce claims and accident rates.

## SUMMARY OF CAPITAL PROGRAM

The capital program includes 203 projects with a combined life-of-project (LOP) budget of \$2.8 billion. The status of all projects is summarized in the *Capital Program Variance Report*, available for download at the OMB Intranet web page.

Attached to this report is the capital program “watch list.” Twenty one projects (10% of all active capital projects) have been identified in the attached report with an eyeglasses (👓) symbol. These projects constitute 18% of the total LOP value of the capital program. Projects which have the eyeglass symbol have the potential for schedule or LOP budget problems at some point in the future. The eyeglass symbol provides an early warning of potential issues and which we are monitoring closely.

Twenty five projects (12% of all active capital projects) have been identified with a flag (🚩) symbol. Projects which have the flag symbol require mitigating action now to correct a problem with cost forecasts in excess of the approved LOP, a proposed significant change in scope, or a substantial delay in completion which may affect project cost or operating activities. These projects constitute 11% of the total LOP value of the capital program. The detail provided in the attachment describes the mitigating actions that we are addressing.

Eleven projects were completed during the first quarter of FY09 at a total savings of \$3.4 million. Ten were completed at a cost lower than the authorized LOP budgets. One project exceeded the LOP budget, but was less than \$1.0 million and, therefore, within the Board-approved guidelines authorizing the CEO to transfer contingency funds to the project.

|    | Project<br>(Amounts in Thousands)                             | Forecasted Cost<br>at Completion | Authorized<br>LOP | Variance<br>Over/(Under) |
|----|---|----------------------------------|-------------------|--------------------------|
| 1  | 204017 Division 21 Improvements                               | \$1,707                          | \$4,500           | (\$2,793)                |
| 2  | 207036 Maintenance and Materiel Mgmt. System Upgrades         | 827                              | 1,006             | (179)                    |
| 3  | 205009 Crossing Gate Equipment Replacement                    | 1,096                            | 1,238             | (142)                    |
| 4  | 207024 FY08 Computer Equipment Technology Refresh Program     | 1,964                            | 2,104             | (140)                    |
| 5  | 200018 Homeland Security Project (DHS)                        | 3,067                            | 3,179             | (112)                    |
| 6  | 209032 Upgrade Unitload Motor Controls and Positioning System | 1,031                            | 1,124             | (93)                     |
| 7  | 210079 High Rail Emergency Response Vehicle (DHS)             | 176                              | 240               | (64)                     |
| 8  | 205080 Div. 21 Yard - Solar Switch Machine Controller         | 33                               | 42                | (9)                      |
| 9  | 207018 FY07 Application Platform Upgrade                      | 596                              | 598               | (2)                      |
| 10 | 209013 New Expansion Pallet Racking at Central Warehouse      | 34                               | 35                | (1)                      |
| 11 | 207040 FY08 Financial/HR System Upgrades                      | 502                              | 447               | 55                       |
| 12 | Total   | \$11,034                         | \$14,513          | (\$3,479)                |

Twenty-one continuing projects are projected to be completed at a cost \$10.4 million lower than the LOP budgets. Three projects expected to be completed at a savings of more than \$1.0 million are listed in the following table.

|   | Project<br>(Amounts in Thousands)            | Forecasted Cost<br>at Completion | Authorized<br>LOP | Variance<br>Over/(Under) |
|---|--|----------------------------------|-------------------|--------------------------|
| 1 | 203015 170 CMS Engine Rebuild Program - FY08 | \$8,907                          | \$11,000          | (\$2,093)                |
| 2 | 202237 Division 18 Solar Energy Project      | 3,400                            | 5,000             | (1,600)                  |
| 3 | 204012 Rail Systemwide Safety Improvements   | 542                              | 2,073             | (1,531)                  |
| 4 | Total  | \$12,849                         | \$18,073          | (\$5,224)                |

Additionally, there are two projects currently projecting cost overruns. One of these projects (Lankershim Depot Restoration) will require board authorization for an LOP increase.

|   | Project<br>(Amounts in Thousands)                | Forecasted Cost<br>at Completion | Authorized<br>LOP | Variance<br>Over/(Under) |
|---|--|----------------------------------|-------------------|--------------------------|
| 1 | 210096 Metro Bus Division CCTV System PHII (DHS) | \$330                            | \$281             | \$49                     |
| 2 | 800118 Lankershim Depot Restoration Project      | 6,000                            | 3,600             | 2,400                    |
| 3 | Total  | \$6,330                          | \$3,881           | \$2,449                  |

### **Major Construction**

Major construction projects include construction of new fixed guideway corridors, new rail car purchases, and other major infrastructure improvements.

The Lankershim Depot Restoration Project (CP#800118) may require a life-of-project budget increase. Bids for the construction contract were higher than anticipated. We are evaluating potential changes in the project design, as well as adding a Customer Service Center. If it is advantageous to go forward with a higher cost project, we will seek Board approval for an increase in the LOP budget.

The Metro Gold Line Eastside Extension Enhancements and Mitigations Project (CP#800288) will construct a 258-parking space structure at the intersection of Pomona and Atlantic Boulevards. An increase to the LOP budget was approved in December.

Detailed information on the major construction projects, such as the Eastside Extension of the Gold Line, is available through individual project reports.

### **Bus Acquisition**

The major bus acquisition project during FY09 was the procurement of 260 45-foot composite buses, CP#201014. The first set of composite shells has been produced, inspected, and shipped to Alabama, where the buses are assembled.

### **Bus Maintenance and Facilities**

The FY09 Bus Mid-Life Program (CP#203006) is a \$24.3 million program to rebuild 188 buses. The Central Maintenance Shops (CMS) completed rebuilding 46 buses during the first quarter of FY09. The FY09 CMS Engine Rebuild Program (CP#203016) is also on schedule with completion of the first 17 of 110 engine replacements during the first quarter.

At the September meeting, the Board approved a \$95 million Life-of-Project budget to construct a new bus operating division adjacent to the Gateway building and MSSC buildings. The Architectural and Engineering contract for the Union Division Project (CP#202001) was awarded by the Board at the December 2008 meeting.

Staff anticipates completion of the MSSC Solar Energy and Electricity Conservation (CP#202252) in August 2009. During the first quarter, solar panel installations were ongoing at Building 1, and 2. During the second quarter, installations began on Buildings 3 and 4.

All other bus projects are forecasted to be completed at, or under, the approved life-of-project budget.

### **Rail Capital Projects**

A total of three P2550 cars from the Light Rail Vehicle Fleet Enhancement (CP#800151) have been conditionally accepted through the first quarter. Two more vehicles are expected to be accepted in the second-quarter. This project has experienced delays and is now expected to be completed in October 2013.

The Expo/Blue Line Light Rail Vehicle Procurement (CP#206035) has not proceeded as planned due to schedule concerns with the base P2550 LRV procurement.

The Division 20 Carwash & Cleaning Platform (CP#204047) bids were received during the first quarter and came in much higher than expected. The bid responses will be evaluated and a determination made to either rebid the job or seek board approval for an increase in the LOP and contract modification authority.

The Subway Railcar Midlife Overhaul (CP#206034) study and specifications are under evaluation due to management decision to initiate work on the Metro Blue Line overhaul first. Q2 plans call for initiating a task order to hire a consultant to develop the specifications for Metro Red Line base and option fleet. The project is expected to be delayed until the specifications are completed.

### **Other Capital Projects**

The Universal Fare System and Regional Clearinghouse Project (TAP) are continuing in FY09, and project management has been reporting on the progress of both projects monthly at Operations Committee meetings.

The Board approved an LOP increase for the Metro Bus Division Behavior Recognition Software project (CP#210095) in September 2008 after the Department of Homeland Security approved a funds transfer from another security program (CP#210096) to cover the cost overrun.

Several projects included in the Warehouse element are projected to be completed under budget. Overall, they experienced a \$100,669 reduction to the total project costs.



## SUMMARY OF GOVERNMENTAL FUNDS

The Governmental funds budget includes Special Revenue and General Fund programs and projects. The Special Revenue Fund includes all sales tax subsidies to other entities including the Local Return Program to Cities, the Formula Allocation Procedure to municipal bus operators, Access Services, Metrolink Operating and Capital, the Incentive Program, and the Call for Projects.

A summary of the activity in the subsidies to others for the first quarter follows:

For the three months ended September 30, 2008

|    | Description<br>(Amounts in Millions)           | Actual         | Budget         | Variance<br>Over/(Under) |
|----|--|----------------|----------------|--------------------------|
| 1  | A & C Local Return                             | \$76.9         | \$76.1         | \$0.8                    |
| 2  | Prop A Bus FAP                                 | 18.5           | 28.8           | (10.3)                   |
| 3  | Prop C Bus FAP                                 | 2.2            | 8.8            | (6.6)                    |
| 4  | TDA Formula Subsidies                          | 19.1           | 20.4           | (1.3)                    |
| 5  | STA Subsidies                                  | 3.3            | 7.6            | (4.3)                    |
| 6  | TDA Other Subsidies                            | 4.7            | 6.9            | (2.2)                    |
| 7  | ASI  | 8.1            | 8.5            | (0.4)                    |
| 8  | Regional Surface Transportation Projects (CFP) | 15.0           | 11.6           | 3.4                      |
| 9  | Bus Capital (CFP)                              | 0.4            | 2.7            | (2.3)                    |
| 10 | Freeway Projects (CFP)                         | 3.7            | 20.2           | (16.5)                   |
| 11 | Metrolink                                      | 11.9           | 12.8           | (0.9)                    |
| 12 | Immediate Needs;SHORE                          | 0.9            | 2.6            | (1.7)                    |
| 13 | Local Traffic System (CFP)                     | 4.6            | 5.1            | (0.5)                    |
| 14 | Metro Rapid Improvements                       | -              | 4.0            | (4.0)                    |
| 15 | Soundwalls Program                             | -              | 4.1            | (4.1)                    |
| 16 | Prop A Incentive                               | 2.0            | 6.4            | (4.4)                    |
| 17 | Regional EZ Pass                               | 1.2            | 2.4            | (1.2)                    |
| 18 | Regional Grantee                               | 0.2            | 0.7            | (0.5)                    |
| 19 | Transit Security                               | 0.3            | 1.3            | (1.0)                    |
| 20 | Misc. Call for Projects                        | -              | -              | -                        |
| 21 | Other Planning Projects                        | 0.1            | 1.1            | (1.0)                    |
| 22 | <b>TOTAL</b>                                   | <b>\$173.1</b> | <b>\$232.1</b> | <b>(\$59.0)</b>          |

Subsidy to others typically experience cash flow delays due to the timing of invoicing from the other entities.

Prop A and Prop C FAP subsidies to municipal operators were \$16.9 million under budget. They are expected to catch up in subsequent quarters and end the year on budget.

Freeway Projects were \$16.5 million under budget, \$12.5 million of which was due to contracts and amendments waiting to be executed. The remaining amount was due to invoice timing.

Prop A Incentive subsidies were \$4.4 million under budget as there has been a delay in invoicing from the Municipal Operators for NTD Reporting and numerous cities are in the procurement process to purchase new vehicles as part of the Incentive Program Bus Replacement Mini-Call process.

STA subsidies were \$4.3 million under budget. The STA subsidies paid out in the first quarter are all for prior year unspent reserves. We have not paid first quarter STA subsidies for the current year since the actual cash receipts were not received until early November.

The Soundwall Programs were \$4.1 million under budget, due to both invoice timing and schedule delays caused by changes to the scope of work being negotiated with Caltrans.

Metro Rapid Improvements were \$4.0 million under budget. Construction and installation of signal systems is on-going, and payment of invoices for work performed during the first quarter is expected during the second quarter. Contract negotiations for station construction with the City of Los Angeles and the County of Los Angeles are underway.

Regional Surface Transportation Projects were \$3.4 million over budget because we paid a large number of invoices for Alameda Corridor-East (ACE) work performed in FY08 which were not received until after the close of FY08 financial reporting, and because work and related expenditures on the ACE project is progressing ahead of schedule in FY09.

The Special Revenue Fund and the General Fund also include budget for work done by us such as planning and programming of funds, and expenditures for Freeway Service Patrol, Service Authority for Freeway Emergencies (SAFE), Internal Auditing, Inspector General, Ethics Office, County Counsel, all lobbying activities and other non-allocable costs. The first quarter account summary for these departments, excluding subsidies (reported separately), is summarized below:

For the three months ended September 30, 2008

| (Amounts in Millions) |                          | Actual  | Budget  |
|-----------------------|--------------------------|---------|---------|
| 1                     | Expenditures             |         |         |
| 2                     | Labor                    | \$ 8.1  | \$ 8.6  |
| 3                     | Fringe Benefits          | 2.9     | 3.0     |
| 4                     | Professional Services    | 6.2     | 19.7    |
| 5                     | Other Services           | 7.9     | 16.2    |
| 6                     | Workers' Comp            | -       | 0.1     |
| 7                     | Insurance                | 0.2     | 0.1     |
| 8                     | Travel                   | -       | 0.1     |
| 9                     | Other including Overhead | 3.2     | 4.2     |
| 10                    | Total Expenditures       | \$ 28.5 | \$ 52.0 |

Planning studies were \$9.7 million of \$13.5 million under budget for professional services agency-wide. Planning projects which ran substantially under budget during the first quarter of FY09 include:

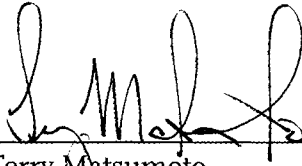
|   | FY09 Q1 Variance<br>Over/(Under) | Discussion    |  |
|---|----------------------------------|---------------|--|
| 1 | Canoga Orange Line Extension     | (\$2,207,023) | Timing issues with invoices being submitted by Contractor for payment. In addition, PE as of first quarter is under budget. As this is a cost plus fixed fee, we are working with the Contractor to evaluate the needed budget for the remainder of this activity. Any unused funds will be used to accelerate the project construction. |
| 2 | Redline Westside Extension       | (\$1,459,223) | BOD award of DEIS/DEIR scheduled in January 2009   |
| 3 | I-710 Project                    | (\$1,049,336) | After adjustments for accruals, actual variance will be less than \$200,000.   |
| 4 | Regional Downtown Connector      | (\$612,749)   | BOD award of DEIS/DEIR scheduled in January 2009   |
| 5 | Crenshaw Corridor                | (\$414,891)   | Timing issues with invoices.   |
| 6 | Wilshire Bus Lane                | (\$398,922)   | Staff working with City to finalize the Scope of Work  |
| 7 | Eastside Extension Phase II      | (\$238,023)   | BOD award of DEIS/DEIR scheduled in January 2009   |
| 8 | DMU Feasibility Study            | (\$231,200)   | Timing issues related to invoices.   |
| 9 | CMP/Air Quality                  | (\$207,519)   | Scope of Work being finalized. Should be going out to bid in 2nd quarter.  |

### Outlook of Governmental Funds

Both the subsidies to others in the Special Revenue Fund and non-allocable expenses in the General Fund are expected to end the year below the FY09 budget. Lagging sales tax revenues will cause the local return subsidies to cities to end the year under budget. Other subsidies will be paid as work is completed and invoices are received.

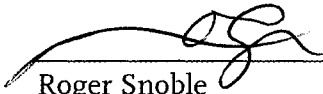
Attachment: Capital Program Status Report

Prepared by: Office of Management & Budget



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Terry Matsumoto  
Chief Financial Services Officer and Treasurer



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Roger Snoble  
Chief Executive Officer



Los Angeles County Metropolitan Transportation Authority  
 Capital Program Variance Report - Life of Project  
 FY2009 - 1st Quarter

**Early Warning for Potential Problems**

**Bus Acquisition**

| CP/PIS Project No. | Project Title                      | Cost to Complete Estimate      |             | Board Approved Life of Project | Increase/ (Decrease) | Comment   |
|--------------------|------------------------------------|--------------------------------|-------------|--------------------------------|----------------------|---|
|                    |                                    | Inception-to-Date Expenditures | Encumbrance |                                |                      |   |
| 200044<br>✍        | ATV Bus Purchase (Hybrid Vehicles) | 2,678,522                      | 2,394,809   | 4,602,625                      | 470,706              | No LOP variance is forecast. Project will be closed at or below stated Board-approved LOP. Issues with encumbrances are being investigated.<br><br>Received one of six hybrid vehicles from ISC in San Diego for training and demonstration projects. Second vehicle has also been received at Metro and is being used to develop maintenance and training programs. Third vehicle has been shipped from Anniston.              |
| 201011<br>✍        | 94 CNG Articulated Buses           | 82,032,655                     | 363,028     | 83,000,000                     | 0                    | Retrofits and campaigns are lengthier than anticipated due to service needs of these vehicles. Many of these issues are more extensive than originally determined, which will extend repair period one year. Extension will have no impact on LOP.<br><br>Metro continues to work on retrofits and fleet defects with the entire articulated bus fleet. Included in this activity are doors, Hubner joints, and chassis frames. |
| 201013<br>✍        | 45-Foot Composite Buses            | 15,636,288                     | 155,627,228 | 179,129,959                    | 0                    | FY09 Q1: First set of compo shells produced, inspected, and shipped from Hungary to Anniston, AL. Eight shells currently on assembly line in Anniston.<br><br>FY09 Q2: Shells will continue to be assembled.  |
| 201033<br>✍        | HCNG Demonstration Project         | 312,187                        | 0           | 1,258,292                      | 0                    | Project extended three months for possible reversion of bus to CNG power plant. Original project on hold due to business failure of engine developer. Metro is seeking new developer/partner to move forward with this project.   |



Los Angeles County Metropolitan Transportation Authority  
 Capital Program Variance Report - Life of Project  
 FY2009 - 1st Quarter

**Early Warning for Potential Problems**  
**Bus Acquisition**

| CP/FIS Project No.     | Project Title                 | Cost to Complete Estimate      |             | Total Forecasted Expenditures | Board Approved Life of Project | Increase/ (Decrease) | Comment  |                    |                |
|------------------------|-------------------------------|--------------------------------|-------------|-------------------------------|--------------------------------|----------------------|--|--------------------|----------------|
|                        |                               | Inception-to-Date Expenditures | Encumbrance |                               |                                |                      |  |                    |                |
| 201044<br>2            | CNG Articulated Buses, Option | 85,561,776                     | 64,697      | 86,427,426                    | 86,427,426                     | 0                    | Retrofits and campaigns are lengthier than anticipated due to service needs of these vehicles. Many of these issues are more extensive than originally determined, which will extend repair period one year. Extension will have no impact on LOP.   |                    |                |
| 201054                 | Contract Services Bus Buy     | 0                              | 18,000,000  | 18,600,000                    | 18,600,000                     | 0                    | Metro continues to work on retrofits and fleet defects with the entire articulated bus fleet. Included in this activity are doors, Hubner joints, and chassis frames.  |                    |                |
|                        |                               |                                |             |                               |                                |                      | This has NOT changed from the expected completion date.  |                    |                |
|                        |                               |                                |             |                               |                                |                      | FY09 Q1: An IFB was issued and a pre-proposal conference was held on 09/29/08. The IFB was advertised on TransitTalent.com as well as sent directly to several bus manufacturers. The costs associated with the advertising were not posted to the accounts before the close of the quarter. |                    |                |
|                        |                               |                                |             |                               |                                |                      | FY09 Q2: Due date for bids is 12/19/08. Additionally, minimal costs associated with the advertising of the bid should post to the project.   |                    |                |
| <b>Bus Acquisition</b> |                               |                                |             | <b>186,221,429</b>            | <b>176,449,762</b>             | <b>10,817,817</b>    | <b>373,489,008</b>   | <b>373,018,302</b> | <b>470,706</b> |

