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SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

Minutes of Budget Hearing

November 18, 1969

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Upon notice duly given, the Board of Directors of the Southern California Rapid Transit District met at a Budget Hearing Session in the District Board Room, 1060 South Broadway, Los Angeles, California, at 9:30 a.m. on November 18, 1969, at which time President Kermit M. Bill called the meeting to order.

Directors Kermit M. Bill, Charles E. Compton, A. J. Eyraud, Jr., Leonard S. Gleckman, David K. Hayward, Herbert H. Krauch, Michael E. Macke, Don C. McMillan and Douglas A. Newcomb were present. Directors Thomas G. Neusom and Norman Topping were absent.

Also present were General Manager Samuel B. Nelson; General Counsel Milton McKay; Assistant General Manager for Rapid Transit Development Jack R. Gilstrap; Controller-Auditor-Treasurer H. L. Black; Secretary Virginia L. Rees; and the public.

President Bill announced that the public hearing on the proposed 1970 Budget was being held in accordance with Section 1010 of the District's Revenue Bond Indenture, and called upon Director Gleckman, Chairman of the Finance & Governmental Affairs Committee, for the Committee's report.

Director Gleckman reported that the Finance & Governmental Affairs Committee at its meeting this morning reviewed the Proposed Budget for the Calendar Year 1970 which was being considered at this hearing, and that following the public hearing, the Committee will again review the Budget and consider any matters that may be presented for consideration by the members of the Board or of the public at this hearing this morning.

Thereupon, General Manager Samuel E. Nelson presented his report relating to the Budget, a copy of which report is attached to these Minutes as Exhibit 1. A copy of the proposed Budget is likewise attached to these Minutes as Exhibit 2.

Mr. Ernest R. Gerlach then read the report of Coverdale & Colpitts, the Consulting Engineer, which report is dated November 18, 1969 and is attached to these Minutes as Exhibit 3.

At the request of the President, the Secretary of the District stated that she had in her possession affidavits from the Los Angeles Times and the Metropolitan News showing publication on November 7, 1969 of the notice of the Budget Hearing.

President Bill then asked if there were any bondholders or other interested persons present who wished to comment on the proposed Budget, but no one appeared.

After discussion, President Bill announced that the Budget would be taken under consideration for adoption prior to the end of the fiscal year.

Upon motion of Director Compton, seconded and unanimously carried, the Budget Hearing was closed.

VIRGINIA L. REES

Secretary

The proposed budget for the calendar year 1970 was prepared in accordance with Section 1010 of the Revenue Bond Trust Indenture and comprises; first, a schedule summarizing estimates of operating expenses and requirements for debt service funds and for Depreciation Reserve Fund; second, a cash budget to show the money flow in various accounts required by the Indenture; and third, a description of anticipated capital expenditures from the Depreciation Reserve Fund.

On the first schedule under the heading, Estimated Operating Expenses, are shown the following:

Salaries and wages amounting to \$37,568,500. The budget in 1969 for this item was \$33,095,500. This item is the total estimated payroll cost. Professional or other advisory services are included in the Unclassified group.

Supplies amounting to \$1,832,000 as compared to \$1,954,000 estimated for 1969. This covers costs of all supplies - stationery, tickets, purchased repairs, supplies for maintenance of revenue equipment, etc.

Next, Fuel and Tires, \$2,660,500 compared to a 1969 figure of \$2,434,000. This supply account is stated separately to show expenses more directly associated with providing transportation and includes fuel, tire rental, batteries and lubricants.

Employees Welfare, estimated at \$5,924,500 covers social security and unemployment insurance expenses, costs of pension, medical benefit and group insurance plans, as well as workmen's compensation insurance costs. This item was \$4,132,000 in 1969.

Rents, Utilities and Insurance is shown at \$3,666,000. The corresponding figure in 1969 was \$3,244,500. Included in this category is public liability and property damage insurance, lesser insurance costs for fire, robbery, and other insurances. It covers miscellaneous rentals such as that for the use of the Greyhound-R.T.D. Terminal in Los Angeles and

for use of punched card processing equipment. The Utilities are the usual gas, water, electricity, and telephone.

Unclassified, the last of the operating expense categories, amounts to \$993,000. This is the anticipated cost of professional services, advertising, travel expenses and membership fees. Last year's budget included a credit of \$240,000 for the Line 100 Demonstration Grant for a net of \$318,000.

The sum of these operating expenses, \$52,644,500, represents the total amount estimated to be paid from the Operation Fund.

Following the total for operating expenses is "Provision for Operating Expense Reserve," \$2,000,000, which is the anticipated balance in the Operation Fund at the beginning of 1970. It is not a proposed expenditure and is subtracted at the bottom of the page. It is placed here to insure continued operation in the event of revenues failing to provide for the operating expenses.

Next listed are Requirements for Debt Service Funds consisting of monthly provisions totalling \$1,659,000 to meet semi-annual interest payments on outstanding revenue bonds and a similar monthly accumulation, totalling \$1,518,000, to cover the scheduled bond retirements.

Following debt service requirements is \$4,854,000, Required for Depreciation Reserve Fund. This amount is 8% of the revenues which is to be set aside for replacement of equipment and capital improvements as provided in the Revenue Bond Indenture.

The final figure on the schedule, \$60,675,500, represents the Estimated Revenues Required for the year 1970 to meet the requirements of the Revenue Bond Trust Indenture.

(Cash Budget)

The second part of the budget proposal for 1970 is the Cash Budget. It shows the effects of a cash distribution of the Estimated Revenues Required in accordance with the Bond Indenture. Revenues are deposited first in a Revenue Fund, then allocated by the Trustee to the appropriate funds for payments authorized by the Indenture.

Below the Revenue Fund on this statement are listed the various funds in the priority order in which they would normally draw against the Revenue Fund. The page headings provide for estimated balances in the various funds as at the ends of 1969 and 1970, with the intervening additions and withdrawals during 1970.

(Capital Budget)

The third and last part of the budget proposal is the Budget Of Expenditures from Depreciation Reserve Fund for the calendar year 1970. The total amount of \$6,106,000 to be expended is divided between carry-overs from 1969 and items proposed for 1970.

Remaining undisbursed in 1969 is \$324,500 required for the exact fare program, conversion of elevators in R.T.D. Building, improvements at Macy Street and Division 3, and miscellaneous equipment.

Expenditures totalling \$5,781,500 are proposed for 1970. Major items are \$4,100,000 for 100 new buses, \$131,000 for 39 automobiles and 2 trucks, \$123,000 for 100 bus radios, \$50,000 for 35 supervisor radios (including 2 base stations), and \$1,170,000 for payments on equipment trust obligations. The

remaining smaller amounts cover improvements at various locations, miscellaneous equipment, and office furniture and equipment. \$175,000 is provided for contingencies to cover unforeseen requirements for capital expenditures in all categories.

Overall, the Proposed Budget is believed to be a proper and appropriate evaluation of factors as they are now known and in accordance with the terms of the Bond Indenture. Accordingly, this 1970 Proposed Budget is recommended for adoption.

Mr. President, that completes the formal comment on the District's estimated financial requirements under the Bond Indenture for 1970.

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
 PROPOSED BUDGET FOR CALENDAR YEAR 1970

	Total	January	February	March	April	May	June
ESTIMATED OPERATING EXPENSES:							
Salaries and Wages	37,568,500	3,041,500	2,760,000	3,036,000	2,964,500	3,039,500	3,206,000
Supplies	1,832,000	143,000	133,500	154,000	167,000	149,000	153,000
Fuel and Tires	2,660,500	217,000	200,000	224,500	221,500	218,000	223,500
Employees Welfare	5,924,500	530,500	512,500	529,000	521,500	516,000	511,500
Rents, Utilities and Insurance	3,666,000	304,500	282,000	302,000	296,500	300,000	311,500
Unclassified	993,000	83,500	83,000	93,000	80,000	80,000	80,000
Estimated operating expenses including pensions	52,644,500	4,320,000	3,971,000	4,338,500	4,251,000	4,302,500	4,485,500
Provision for operating expense reserve	<u>2,000,000</u>						
Total payable from Operation Fund (Including Pension Account)	54,644,500						
REQUIREMENTS FOR DEBT SERVICE FUNDS:							
Interest Fund	1,659,000	143,500	143,500	137,500	137,500	137,500	137,500
Bond Retirement Fund	1,518,000	116,500	116,500	128,500	128,500	128,500	128,500
REQUIRED FOR DEPRECIATION RESERVE FUND	4,854,000	398,500	366,000	400,000	392,500	396,500	413,500
	62,675,500						
AVAILABLE FROM OPERATIONS FUND RESERVE	<u>2,000,000</u>						
ESTIMATED REVENUES REQUIRED	<u>60,675,500</u>						

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
 PROPOSED BUDGET FOR CALENDAR YEAR 1970

	July	August	September	October	November	December
ESTIMATED OPERATING EXPENSES:						
Salaries and Wages	3,295,500	3,171,500	3,243,500	3,263,000	3,187,000	3,360,500
Supplies	141,500	174,000	142,000	176,000	140,000	159,000
Fuel and Tires	232,000	223,000	220,000	235,500	217,000	228,500
Employees Welfare	511,000	493,000	465,000	429,500	420,500	484,500
Rents, Utilities and Insurance	317,000	310,000	309,000	311,500	303,000	319,000
Unclassified	80,000	80,500	89,000	80,000	81,000	83,000
Estimated operating expenses including pensions	4,577,000	4,452,000	4,468,500	4,495,500	4,348,500	4,634,500
Provision for operating expense reserve						
Total payable from Operating Fund (Including Pension Account)						
REQUIREMENTS FOR DEBT SERVICE FUNDS:						
Interest Fund	137,000	137,000	137,000	137,000	137,000	137,000
Bond Retirement Fund	128,500	128,500	128,500	128,500	128,500	128,500
REQUIRED FOR DEPRECIATION RESERVE FUND	422,000	410,500	412,000	414,500	401,000	427,000

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SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

CASH BUDGET

CALENDAR YEAR 1970

<u>Fund</u>	<u>Estimated Balance 12-31-69</u>	<u>Estimated Additions During 1970</u>	<u>Estimated Withdrawals During 1970</u>	<u>Estimated Balance 12-31-70</u>
Revenue Fund		\$60,675,500	\$60,675,500	
Distribution of Revenue Fund:				
Operation Fund	\$ 2,000,000	\$52,644,500	\$52,644,500	\$ 2,000,000
Interest Fund	574,500	1,659,000	1,684,500	549,000
Bond Retirement and Sinking Fund	1,166,500	1,518,000	1,400,000	1,284,500
Bond Reserve Fund	3,187,500	-	-	3,187,500
Depreciation Reserve Fund	3,870,000	4,854,000	6,106,000	2,618,000
General Fund	1,457,000	-	100,000	1,357,000
	<u>\$12,255,500</u>	<u>\$60,675,500</u>	<u>\$61,935,000</u>	<u>\$10,996,000</u>

Notes: Estimated balance December 31, 1969, includes holdings of U. S. Government Securities.

Estimated additions during 1970 to the Depreciation Reserve Fund do not include estimates for receipts from sale of property (1969 to October 31, \$314,046)

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SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
 BUDGET OF EXPENDITURES FROM DEPRECIATION RESERVE FUND
 CALENDAR YEAR 1970

Undisbursed in 1969, resubmitted:

Conversion of elevators	\$ 40,000
Exact Fare program	170,000
Improvements to property - Macy Streets	78,000
Improvements to property - Division 3	19,000
Radio dispatchers furniture & fixtures	5,500
Miscellaneous shop equipment	<u>12,000</u>
	\$ 324,500

Proposed for 1970:

Buildings and facilities by location:	
Division 7	2,000
Division 9	7,500
100 Buses	4,100,000
39 Automobiles	124,000
2 Trucks	7,000
100 Bus radios	123,000
35 Supervisor radios - 2 base stations	50,000
Miscellaneous equipment	6,000
Equipment Trust Obligations	1,170,000
Furniture & Fixtures	17,000
Contingencies	<u>175,000</u>
	<u>\$5,781,500</u>
TOTAL	\$6,106,000

Accounting & Fiscal
 November 18, 1969

COVERDALE & COLPITTS

CONSULTING ENGINEERS

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GEORGE V. T. BURGESS
CONSULTANTS

November 18, 1969

Southern California Rapid Transit District
1060 South Broadway
Los Angeles, California 90015

Dear Sirs:

Annual Budget for 1970

Section 1009 of the Trust Indenture covering Los Angeles Metropolitan Transit Authority's \$40,000,000 series of 1958 bonds which have been assumed by the Southern California Rapid Transit District specifies:

"...It shall also be the duty of the Consulting Engineer, annually, on or before the 1st day of November of each year (starting in the year 1958) to make recommendations to the Authority for the Annual Budget for the next succeeding calendar year, for the cost of operation, maintenance, depreciation, replacements, property additions, improvements, modernization of the System, insurance coverage, and any other matters which the Authority deems advisable."

Section 1010 requires that the District prepare on or before October 1st and file with the Secretary of the District, the Trustees and the Consulting Engineer a tentative budget of expenses and capital expenditures for the ensuing year. Accordingly, we have been provided with a copy of said tentative budget for the calendar year of 1970 which we have reviewed with responsible officers of the District on October 29 and 30, 1969.

As required by Section 1010 of the Trust Indenture we summarized our comments and recommendations regarding the tentative budget in our letter of November 3, 1969. Since the District anticipated subsidy from sales taxes to supplement revenues during 1970, our principal recommendation was that the Estimated Operating Expenses be reviewed to insure that the Budget reflected the month-to-month cash requirements, as well as any significant changes in operating expenses due to the exact fare program so that budgeted expenditures would be consistent with the availability of funds.

We are now in receipt of the revised 1970 Budget to be submitted to the District Board on November 18, 1969 which has been prepared after review by the District staff which review included the preceding recommendations. This Budget is based on the most recent information on increases in costs for major items and includes wages and related benefits at levels set forth in labor contracts now in effect and continuing throughout the budget year. Requirements for PL&PD insurance and payments into the Depreciation Reserve Fund have been recalculated based on total revenue requirements instead of operating revenues.

We have reviewed the revised budget figures and discussed them with members of the District staff. We have reviewed the insurance coverage proposed, which is the same as that currently in force with the exception of an increase in coverage on the counting room operation set up for the exact fare plan. In our opinion, the coverage provided conforms to that required by Section 1003 of the Trust Indenture. Premiums of the policies are included in the 1970 budget.

We have also reviewed the program for capital expenditures to be made from the Depreciation Reserve Fund including the carryover of unfinished items from 1969, and are of opinion that those expenditures are proper and necessary for the efficient operation of the system.

Based on our study and review of the proposed budget and our knowledge of the operation of the District's transit system, we hereby recommend that:

1. The Southern California Rapid Transit District adopt the proposed Annual Budget presented November 18, 1969 of operating expenses, debt service requirements and depreciation of \$60,675,100 for the year 1970, as being adequate on the premises which it was prepared which includes the continuation of wages and salaries in accordance with present contracts.
2. The Southern California Rapid Transit District adopt the proposed budget of capital expenditures of \$6,106,000 in total as being sufficient to provide for the immediate needs for replacements and property additions and improvements and modernization of the transit operation on the premises indicated. Individual projects within this budget will be subject to separate approval by the District.
3. The Southern California Rapid Transit District continue its present insurance program including the recent amendment both as to type of coverage and amount.

It is assumed that the Southern California Rapid Transit District in adopting this Annual Budget for 1970, will provide revenues in at least the same amount as the expenses payable from revenues in accordance with the provisions of Section 1002 of the Trust Indenture of January 1, 1958.

Respectfully submitted,

Coverdale & Colpitts

Consulting Engineers