

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

Minutes of Budget Hearing

November 29, 1966

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 29, 1966, at which time President Harry A. Faull called the meeting to order.

Directors Kermit M. Bill, Allan F. Daily, Jr., A. J. Eyraud, Jr., Harry A. Faull, Gordon R. Hahn, David K. Hayward, Herbert H. Krauch, Don C. McMillan and Douglas A. Newcomb were present. Directors Howard P. Allen and Norman Topping were absent.

Also present were General Manager Dale W. Barratt; Assistant General Manager Jack R. Gilstrap; General Counsel Milton McKay; Manager of Operations M. Edwin Wright; Treasurer and Auditor H. L. Black; Fiscal Consultant Walter J. Braunschweiger; Director of Planning and Engineering John Curtis; Director of Public Information John D. Kemp; Consultant Cone T. Bass; Secretary Virginia L. Rees; and the public.

The President announced that the public hearing on the proposed 1967 Budget was being held in accordance with Section

WHEREAS, the President of the District set the 29th day of November, 1966 as the date for the public hearing on the 1967 Budget; and

WHEREAS, the Secretary, pursuant to Section 1010 of the Trust Indenture dated January 1, 1958, advertised notice of said hearing in the Metropolitan News and the Wall Street Journal; and

WHEREAS, the Consulting Engineer has approved the Budget;

NOW, THEREFORE, BE IT RESOLVED, that the Annual Budget of the District for the calendar year 1967, which is attached to these Minutes as Exhibit 2, will be adopted by the District on or before December 31, 1966.

There being no further business to come before the meeting, it adjourned.

Virginia R. R...
Secretary

In accordance with Section 1010 of the Trust Indenture and the Procedure for Budget Hearing as adopted at the District meeting of November 15th, I am submitting the proposed budget for the calendar year 1967. A copy is attached to your Agenda.

The budget is in three parts:

- The first part (pages 1 and 2) shows Estimated Operating Expenses, Requirements for Debt Service Funds and Required Provision for Depreciation Reserve Fund in total for the year and spread over the 12-month period;
- Second part (page 3) is the Cash Budget for the year;
- The Third part (page 4) is Budget of Expenditures from Depreciation Reserve Fund for the year.

Page one begins with Estimated Operating Expenses grouped as six main categories, the first of which is Salaries and Wages, estimated at \$30,483,000 against \$28,085,000 for last year. This is the total payroll cost for both contract and non-union employees. Contract wages are fixed by labor negotiations. This expense does not include professional or other outside advisory services which are included later in the unclassified group.

The next item is Supplies, amounting to \$2,303,500 as compared to \$2,194,000 in 1966. This covers the cost of material and supplies, principally those used in maintenance of revenue equipment, but also covers other items such as stationery, tickets, and purchased repairs.

Next is Fuel and Tires, \$2,807,000. Last year's cost was budgeted at \$2,618,000. This is another supply category separately stated because it shows the expenses more directly associated with providing transportation; namely, fuel, tire rental, batteries, and lubricants for automotive equipment.

Employees Welfare, estimated at \$3,584,000 includes social security and unemployment insurance expenses, payments required by pension, medical benefit and group insurance plans, and for workmen's compensation insurance costs. This item was \$3,434,000 in 1966.

Rents, Utilities and Insurance is next. This item amounts to \$2,780,500 as compared with \$2,654,000 in 1966 and it is for public liability and property damage insurance (5% of gross passenger revenue) and the lesser insurance costs for fire, riot, vandalism, robbery, etc. It also covers the use of the temporary station facilities on Main Street and the expected occupancy of the Greyhound-R.T.D. station in the latter part of the year, rental of punched card processing equipment, and the usual utilities, gas, water, electricity, telephone.

The last of the operating expense categories is

Unclassified which shows a credit of \$509,000 this year as compared to a credit of \$980,000 last year. This section includes items not assignable to the prior categories. Expense items consist of estimates for professional services-- legal, accounting, engineering, advertising--travel expenses of District personnel and for membership fees in various organizations. Credits consist of transfers to property accounts, property damage recoveries, etc. The reduction in the amount of net credits results from the fact that it is anticipated there will be a lesser amount of credits to be transferred from operating to property accounts during the year 1967 than estimated for 1966.

The sum of these operating expenses, \$41,449,000, represents the total amount estimated to be paid from the Operation Fund.

Immediately following the operating expense total is "Provision for Operating Expense Reserve" \$4,387,000. This is the anticipated balance in the Operation Fund at the beginning of 1967. It is stated here to insure continued operation in the event of revenues failing to provide for the operating expenses. As it does not represent a proposed expenditure, it is subtracted at the bottom of this page before Estimated Revenues Required is stated.

Next listed is Requirements for Debt Service Funds. These are required by the bond indenture. Semi-annual interest payments on the outstanding revenue bonds totaling \$1,878,500 this coming year are met by monthly deposits into the Interest

Fund, and a similar monthly accumulation, producing a total of \$1,262,500 for the year, for the purpose of bond retirement as scheduled by the bond indenture is paid into the Bond Retirement Fund.

Next, \$3,877,500, Required Provision for Depreciation Reserve Fund, arises from the bond indenture requirement that 8% of the Revenues be set aside for replacement of worn-out equipment, or other capital improvements, and for payment on equipment trust obligations.

Now we have a total of \$52,854,500 from which the previously mentioned Operation Fund Reserve is deducted arriving at a final figure of \$48,467,500 as Estimated Revenues Required for year 1967. It is to be noted that this amount makes no allowance for rapid transit planning.

Turning to the third page, there is displayed the second part of the budget proposal for 1967--the Cash Budget. This shows the effects of a cash distribution of the Estimated Revenues Required for the year. Complying with the bond indenture, all revenues are deposited first in a Revenue Fund, then allocated by the Trustee to the appropriate fund for payment of the various authorized purposes. Going across the page you see the estimated balances in the various funds as of the end of 1966, the expected additions during 1967, the withdrawals to pay the District's various expenses, debt payments, etc., and the estimated balances in each fund at the end of 1967. Attention is directed to the notes on the bottom of the Cash Budget indicating amounts which may increase the Depreciation

Reserve Fund and, accordingly, the total balances by approximately \$650,000.

The final page represents the Budget of Capital Expenditures from Depreciation Reserve Fund for the year. The total amount of \$7,269,500 proposed to be expended is in two parts:

First, \$3,374,500 remained undisbursed in 1966, for buildings, facilities and equipment. Larger items included here are 100 50-passenger coaches, modification to transmissions - 780 coaches, and Location 17 - new Los Angeles terminal facilities.

Second, \$3,895,000 proposed for 1967 includes \$1,175,000 for 50 36-passenger coaches. This covers the full cost including incidental items such as transportation, sales tax and preparation for service. Also included is \$1,459,000 shown as equipment trust obligations--the amount of payments for interest, principal, etc. to be made during 1967 on the financed portion of bus purchases under the various equipment trusts and, somewhat smaller amounts, as follows:

- Buildings and facilities at various locations \$538,000
- New automobiles and trucks and modifications of revenue equipment \$154,500
- Miscellaneous office furniture, equipment and contingencies needed next year \$568,500

Of this latter amount, \$500,000 is to cover unforeseen contingencies in requirements for capital expenditures in all

categories.

The budget as now presented shows as accurately as can be determined, estimated operating cost of planned operations for the coming year; it is more than last year's estimate by \$3,750,000.

Operating expenses are up \$3,444,000, of which amount wages and employee welfare account for \$2,548,000. Supplies, fuel and tires are up \$298,600. Rent, utilities, and insurance expenses are up \$126,500.

In the Unclassified section, application of anticipated credits from Public Liability Insurance of \$600,000 together with credits relating to capital work brings the total credits to \$1,308,000. Expense items of \$799,000 produce a net credit of \$509,000 which is less than last year's net credit, therefore an increase expense-wise of \$471,000 over 1966.

Your staff has made a thorough examination of the overall budget, and in doing so, has tried to evaluate properly all known factors. In accordance with the terms of the bond indenture, this 1967 Proposed Budget is recommended for adoption.

Mr. President, this completes the formal comment on the District's estimated financial requirements for 1967.

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SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
 PROPOSED BUDGET FOR CALENDAR YEAR 1967

Total	January	February	March	April	May	June
30,483,000	2,440,000	2,279,000	2,433,000	2,331,000	2,533,500	2,625,500
2,303,500	197,500	183,000	202,500	187,000	205,500	199,500
2,807,000	233,500	218,500	235,500	226,500	241,500	238,000
3,584,000	341,000	341,000	341,000	340,500	338,500	330,000
2,780,500	233,500	215,000	240,500	232,500	241,500	235,500
(509,000)	(40,000)	(40,000)	(40,000)	(43,000)	(43,500)	(43,000)
41,449,000	3,405,500	3,196,500	3,412,500	3,274,500	3,517,000	3,585,500
<u>4,387,000</u>						
45,836,000						
FUND:						
1,878,500	161,000	161,000	155,500	155,500	156,000	155,500
1,262,500	100,000	100,000	106,000	106,500	106,000	106,500
<u>3,877,500</u>	<u>319,000</u>	<u>300,500</u>	<u>319,500</u>	<u>307,500</u>	<u>328,500</u>	<u>334,500</u>
52,854,500						
<u>4,387,000</u>						
<u>48,467,500</u>						

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SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
 PROPOSED BUDGET FOR CALENDAR YEAR 1967

	July	August	September	October	November	December
ES:	2,650,500	2,718,500	2,574,000	2,618,500	2,635,500	2,644,000
	139,500	207,000	192,500	200,000	196,000	193,500
	237,500	245,000	230,500	238,500	230,000	232,000
	301,000	281,500	264,500	224,500	205,500	275,000
variance	232,000	232,500	224,000	237,000	231,500	225,000
	(43,500)	(43,000)	(43,500)	(43,000)	(43,000)	(43,500)
uses	3,517,000	3,641,500	3,442,000	3,475,500	3,455,500	3,526,000
expense reserve						
tion Fund	155,500	155,500	156,000	155,500	155,500	156,000
ount)	106,000	106,500	106,000	106,500	106,000	106,500
ICE FUNDS:	328,500	339,500	322,000	325,000	323,500	329,500
RECIATION RESERVE FUND						

General Accounting
 November 11, 1966

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

CASH BUDGET

CALENDAR YEAR 1967

<u>Fund</u>	<u>Estimated Balance 12-31-66</u>	<u>Estimated Additions During 1967</u>	<u>Estimated Withdrawals During 1967</u>	<u>Estimated Balance 12-31-67</u>
Revenue Fund		\$48,467,500	\$48,467,500	
Distribution of Revenue Fund:				
Operation Fund	\$ 4,387,000	\$41,449,000	\$41,449,000	\$ 4,387,000
Interest Fund	644,500	1,878,500	1,900,500	622,500
Bond Retirement Fund	1,000,000	1,262,500	1,200,000	1,062,500
Bond Reserve Fund	3,187,500	-	-	3,187,500
Depreciation Reserve Fund	5,280,000	3,877,500	7,269,500	1,888,000
General Fund	1,188,000	-	100,000	1,088,000
	<u>\$15,687,000</u>	<u>\$48,467,500</u>	<u>\$51,919,000</u>	<u>\$12,235,500</u>

Notes: Estimated balance December 31, 1966 includes holdings of U. S. Government securities.

Estimated additions during 1967 to the Depreciation Reserve Fund do not include estimates for:

- (1) Receipts from sale of equipment (1966 to October 31 \$535,850)
- (2) Transfer from the Reserve Fund of the Equipment Trust Series D approximately \$100,000.

General Accounting
November 11, 1966

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
 BUDGET OF EXPENDITURES FROM DEPRECIATION RESERVE FUND
 CALENDAR YEAR 1967

Undisbursed in 1966, resubmitted:

Coaches, automotive and shop equipment:	
100 50-passenger coaches	\$3,010,000
Modification to transmission - 780 coaches	170,000
Rebuild 500 fare boxes	56,000
Reinforce frame members on 70 coaches	16,000
Land, buildings and facilities by location:	
Division 2	16,500
Division 7	8,000
South Park Shops	15,000
Location 17	83,000
	<u>\$3,374,500</u>

Proposed for 1967:

Buildings and facilities by location:	
Division 2	\$ 302,000
Division 7	2,500
Division 9	4,500
South Park Shops	1,500
Main Office Building	227,500
50 36-passenger coaches	1,175,000
Equipment Trust Obligations	1,459,000
Automobiles and trucks	129,500
Upgrade transmissions on 100 coaches	25,000
Miscellaneous	68,500
Contingencies	500,000
	<u>\$3,895,000</u>

TOTAL	\$7,269,500
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General Accounting
 November 11, 1966

COVERDALE & COLPITTS

CONSULTING ENGINEERS

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AUGUSTUS P. FARNSWORTH
CONSULTANTS

November 22, 1966

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

Dear Sirs:

Annual Budget for 1967

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. In compliance with this section, the District delivered to us on September 27, 1966 a copy of said tentative budget for the calendar year of 1967. We discussed this tentative budget with members

of the District's staff on October 27, 1966. As a result of such discussions, as well as an analysis of the data presented in the tentative budget, we recommended that the figures be reviewed when the expense data for the first 10 months of 1966 became available. We also made other minor suggestions.

We are in receipt of the 1967 proposed budget dated November 11, 1966 which is to be submitted to the District for consideration on November 29, 1966. The budget has been slightly revised from the tentative budget dated September 27, 1966.

We have reviewed and analysed the revised budget figures as well as the results of the District's operations for the first 10 months of 1966 and compared them with the budget. We have reviewed the insurance coverage proposed which is the same as that currently in force. 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 1967 budget.

We have also reviewed the program for capital expenditures and expenditures to be made from the depreciation reserve and are of opinion that these 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 budget dated November 11, 1966 of operating expenses, debt service requirements and depreciation of \$48,467,500 for the year 1967 as being adequate on the premises which it was prepared.

2. The Southern California Rapid Transit District adopt the proposed capital budget of capital expenditures of ~~\$5,810,375~~ ^{\$7,269,500} in total as being sufficient to provide for the immediate needs of 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 both as to type of coverage and amount.

It is assumed that the Southern California Rapid Transit District in adopting this budget for 1967, 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 Engineer