

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

Minutes of Budget Hearing

November 21, 1967

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 9:00 a.m. on November 21, 1967, at which time President A. J. Eyraud called the meeting to order.

Directors Kermit M. Bill, Charles E. Compton, A. J. Eyraud, Jr., Gordon R. Hahn, H. Lee Hale, David K. Hayward, Michael E. Macke, Don C. McMillan, Douglas A. Newcomb and Norman Topping were present. Director Herbert H. Krauch was absent.

Also present were Assistant General Manager Jack R. Gilstrap; General Counsel Milton McKay; Manager of Operations R. W. Gareau; Director of Rapid Transit Planning John Curtis; Director of Public Information John D. Kemp; Secretary Virginia L. Rees; and the public.

The President announced that the public hearing on the proposed 1968 Budget was being held in accordance with Section 1010 of the District's Revenue Bond Indenture.

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 of notice of the Budget Hearing.

Thereupon, in the absence of the General Manager, Manager of Operations Gareau presented a 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. John C. Gardiner, Jr. then read the report of Coverdale & Colpitts, the Consulting Engineer, which report is dated November 17, 1967 and is attached to these Minutes as Exhibit 3.

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

Thereupon, upon motion of Director Hayward, seconded and unanimously carried, the hearing was closed.

Proposed Budget for Year 1968 Referred to Operations and Budget Committee

After discussion, upon motion of Director Hayward, seconded and unanimously carried, the proposed Budget for Year 1968 was referred to the Operations and Budget Committee for study and

recommendation back to the Board.

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


Secretary

In accordance with Section 1010 of the Trust Indenture, I am submitting the proposed budget for the calendar year 1968. 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;
- Third part (page 4) is Budget of Expenditures from Depreciation Reserve Fund for the year.

Page one, beginning with Estimated Operating Expenses, shows Salaries and Wages estimated at \$32,705,000 against \$30,144,000 budgeted for last year. This is the total payroll cost. It does not include professional or other advisory services which are included in the unclassified group.

The next item is Supplies, amounting to \$2,129,000 as compared to \$2,043,500 in 1967. 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, \$3,077,000. Last year's cost was budgeted at \$2,807,000. 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 \$4,208,500 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 \$3,548,500 in 1967.

Rents, utilities and insurance is next. This item amounts to \$2,990,500 as compared with \$2,180,500 in 1967 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 provides for use of the Greyhound-R.T.D. Terminal in Los Angeles, rental of punched card processing equipment, and the usual utilities, gas, water, electricity, telephone.

The last of the operating expense categories is Unclassified. The amount shown for 1968, \$118,500, is the net of (a) \$409,500, the estimated cost of professional services, advertising, travel expenses and membership fees and (b) a credit of \$291,000 for the Line 100 Demonstration Grant.

The sum of these operating expenses, \$45,228,500, represents the total amount estimated to be paid from the Operation Fund.

Immediately following the operating expense total is "Provision for Operating Expense Reserve" \$4,138,500. This is the anticipated balance in the Operation Fund at the beginning

of 1968. It is placed 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 \$1,809,000 this coming year are met by monthly deposits into the Interest Fund. A similar monthly accumulation, producing a total of \$1,337,500 during the year for the scheduled bond retirements is paid into the Bond Retirement Fund.

Next, \$4,206,500, Required Provision for Depreciation Reserve Fund, arises from the bond indenture requirement that 8% of the Revenues be set aside for replacement of equipment or other capital improvements.

Now we have a total of \$56,720,000 from which the previously mentioned Operation Fund Reserve is deducted arriving at a final figure of \$52,581,000 as Estimated Revenues Required for the year 1968. 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 1968 - 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 funds for payments of the various authorized purposes. Going across the page you

see the estimated balances in the various funds as of the end of 1967, the expected additions during 1968, the withdrawals to pay the District's various expenses, debt payments, etc., and the estimated balances in each fund at the end of 1968.

The final page represents the Budget of Capital Expenditures from Depreciation Reserve Fund for the year. The total amount of \$9,341,000 proposed to be expended is in two parts:

First, \$72,000, remaining undisbursed in 1967, is shown for buildings and equipment.

Second, \$9,269,000, proposed for 1968, includes \$7,477,000 for new coaches and \$25,000 for new trucks. This covers the full cost of the equipment including incidental items such as transportation, sales tax and preparation for service. Also included is \$1,365,000 shown as equipment trust obligations - the amount required for interest, principal, penalty, etc. for retirement during 1968 of the remaining equipment trusts. \$17,000 is allocated for supplementary air-conditioning and lighting, Fifth Floor of the Main Office Building. \$15,000 is set up for miscellaneous office furniture and equipment and \$370,000 is provided to cover unforeseen contingencies in requirements for capital expenditures in all categories.

The budget as presented shows as accurately as can be determined at this time the estimated costs of operations planned for the coming year. It is more than last year's estimate by \$4,114,000.

Operating expenses are up \$3,780,000, of which amount wages and employee welfare account for \$3,221,000. Supplies, fuel and tires are up \$356,000. Rents, utilities, and insurance

expenses are up \$810,000. The last category, Unclassified, is less than 1967 by \$607,000. This section reflects the decrease in professional advertising services, \$300,000, and also, as mentioned above, the Demonstration Grant for Line 100, \$291,000.

Your staff has reviewed the overall budget and believes it to be a proper evaluation of all known factors, therefore, in accordance with the terms of the bond indenture, this 1968 Proposed Budget is recommended for adoption.

Mr. President, this completes the formal comment on the District's estimated financial requirements for 1968.

#

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
 PROPOSED BUDGET FOR CALENDAR YEAR

	Total	January	Febru
ESTIMATED OPERATING EXPENSES:			
Salaries and Wages	32,705,000	2,731,000	2,526,
Supplies	2,129,000	176,500	183,
Fuel and Tires	3,077,000	258,500	241,
Employees Welfare	4,208,500	367,000	354,
Rents, Utilities and Insurance	2,990,500	242,000	239,
Unclassified	<u>118,500</u>	<u>8,000</u>	<u>7,</u>
Estimated operating expenses including pensions	45,228,500	3,783,000	3,551,
Provision for operating expense reserve	<u>4,138,500</u>		
Total payable from Operation Fund (Including Pension Account)	49,367,000		
REQUIREMENTS FOR DEBT SERVICE FUNDS:			
Interest Fund	1,809,000	155,500	155,
Bond Retirement Fund	1,337,500	106,000	106,
REQUIRED PROVISION FOR DEPRECIATION RESERVE FUND	<u>4,206,500</u>	<u>351,500</u>	<u>331,</u>
	56,720,000		
AVAILABLE FROM OPERATIONS FUND RESERVE	<u>4,138,500</u>		
ESTIMATED REVENUES REQUIRED	<u><u>52,581,500</u></u>		

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
 PROPOSED BUDGET FOR CALENDAR YEAR 1968

	Total	January	February	March	April
ESTIMATED OPERATING EXPENSES:					
Salaries and Wages	32,705,000	2,731,000	2,526,000	2,638,500	2,591,000
Supplies	2,129,000	176,500	183,500	185,000	165,500
Fuel and Tires	3,077,000	258,500	241,500	251,000	251,500
Employees Welfare	4,208,500	367,000	354,000	361,500	343,000
Rents, Utilities and Insurance	2,990,500	242,000	239,000	252,000	250,500
Unclassified	<u>118,500</u>	8,000	7,500	13,500	15,000
Estimated operating expenses including pensions	45,228,500	3,783,000	3,551,500	3,701,500	3,616,500
Provision for operating expense reserve	<u>4,138,500</u>				
Total payable from Operation Fund (Including Pension Account)	49,367,000				
REQUIREMENTS FOR DEBT SERVICE FUNDS:					
Interest Fund	1,809,000	155,500	155,500	150,000	149,500
Bond Retirement Fund	1,337,500	106,000	106,500	112,500	112,500
REQUIRED PROVISION FOR DEPRECIATION RESERVE FUND	<u>4,206,500</u>	351,500	331,500	344,500	337,500
	56,720,000				
AVAILABLE FROM OPERATIONS FUND RESERVE	<u>4,138,500</u>				
ESTIMATED REVENUES REQUIRED	<u><u>52,581,500</u></u>				

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
 PROPOSED BUDGET FOR CALENDAR YEAR 1968

	July	August	September	October
ESTIMATED OPERATING EXPENSES:				
Salaries and Wages	2,812,000	2,832,500	2,731,500	2,802,500
Supplies	121,000	200,000	174,000	198,500
Fuel and Tires	259,000	269,500	249,000	271,500
Employees Welfare	362,500	353,500	339,500	333,000
Rents, Utilities and Insurance	252,500	254,500	242,000	254,500
Unclassified	<u>12,000</u>	<u>6,500</u>	<u>14,000</u>	<u>9,500</u>
Estimated operating expenses including pensions	3,819,000	3,916,500	3,750,000	3,869,500
Provision for operating expense reserve				
Total payable from Operation Fund (Including Pension Account)				
REQUIREMENTS FOR DEBT SERVICE FUNDS:				
Interest Fund	150,000	150,000	149,500	150,000
Bond Retirement Fund	112,500	112,500	112,500	112,500
REQUIRED PROVISION FOR DEPRECIATION RESERVE FUND	<u>355,000</u>	<u>363,500</u>	<u>349,000</u>	<u>359,500</u>

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

CASH BUDGET

CALENDAR YEAR 1968

<u>Fund</u>	Estimated Balance 12-31-67	Estimated Additions During 1968	Estimated Withdrawals During 1968	Estimated Balance 12-31-68
Revenue Fund		<u>\$52,581,500</u>	<u>\$52,581,500</u>	
Distribution of Revenue Fund:				
Operation Fund	\$ 4,138,500	\$45,228,500	\$45,228,500	\$ 4,138,500
Interest Fund	622,500	1,809,000	1,832,000	599,500
Bond Retirement Fund	1,062,500	1,337,500	1,275,000	1,125,000
Bond Reserve Fund	3,187,500	-	-	3,187,500
Depreciation Reserve Fund	7,317,500	4,206,500	9,341,000	2,183,000
General Fund	<u>1,323,000</u>	<u>-</u>	<u>100,000</u>	<u>1,223,000</u>
	<u>\$17,651,500</u>	<u>\$52,581,500</u>	<u>\$57,776,500</u>	<u>\$12,456,500</u>

Notes: Estimated balance December 31, 1967 includes holdings of U. S. Government securities.

Estimated additions during 1968 to the Depreciation Reserve Fund do not include estimates for receipts from sale of equipment (1967 to October 31. \$170,341)

Accounting & Fiscal
November 20, 1967

001124

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT
BUDGET OF EXPENDITURES FROM DEPRECIATION RESERVE FUND
CALENDAR YEAR 1968

Undisbursed in 1967, resubmitted:

Improvements to Pasadena Bldg., Location 26	\$ 60,000
Modify transmissions on coaches	<u>12,000</u>
	<u>\$ 72,000</u>

Proposed for 1968:

Main Office Building	\$ 17,000
175 51-passenger coaches	6,036,000
25 45-passenger coaches	841,000
15 48-passenger coaches	600,000
4 Trucks (3-3/4 Ton & 1-1 Ton)	25,000
Equipment Trust Obligations	1,365,000
Miscellaneous	15,000
Contingencies	<u>370,000</u>
	<u>\$9,269,000</u>

TOTAL	\$9,341,000
-------	-------------

Accounting & Fiscal
November 20, 1967

COVERDALE & COLPITTS

WILLIAM A. GORDON
 GEORGE V. T. BURGESS
 SAMUEL P. BROWN
 RUSSELL F. PASSANO
 EDWARD L. WEMPLE
 JOHN C. GARDINER, JR.
 CHARLES W. GILLESPIE
 DONALD A. LOCHHEAD
 NORMAN E. CARLSON

CONSULTING ENGINEERS

140 BROADWAY

NEW YORK, N. Y. 10005

WILLIAM H. COVERDALE (1904-1949)
 WALTER W. COLPITTS (1913-1951)

(212) 943-7400

CABLE ADDRESS: COVERCOL

JOHN E. SLATER
 AUGUSTUS P. FARNSWORTH
 CONSULTANTS

November 17, 1967

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

Dear Sirs:

Annual Budget for 1968

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 29, 1967 a copy of said tentative budget for the calendar year of 1968. We discussed this tentative budget with members

of the District's staff on October 25-27, 1967. 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 1967 became available. We also made other minor suggestions.

We are in receipt of the 1968 proposed budget dated November 15, 1967 which is to be submitted to the District for consideration on November 22, 1967. The budget has been slightly revised from the tentative budget dated September 29, 1967.

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 1967 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 1013 of the Trust Indenture. Premiums of the policies are included in the 1968 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:

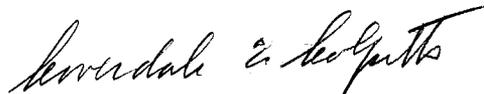
1. The Southern California Rapid Transit District adopt the proposed budget dated November 15, 1967 of operating expenses, debt service requirements and depreciation of \$52,581,500 for the year 1968 as being adequate on the premises which it was prepared.

2. The Southern California Rapid Transit District adopt the proposed capital budget of capital expenditures of \$9,341,000 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 1968, 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,


Consulting Engineer

