

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

Minutes of Budget Hearing

May 16, 1972

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 May 16, 1972, at which time President Norman Topping called the meeting to order.

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

Also present were General Manager Jack R. Gilstrap; General Counsel Richard T. Powers; Manager of Operations George F. Goehler; Manager of Planning & Marketing George L. McDonald; Chief Engineer Richard Gallagher; Controller-Auditor-Treasurer J. B. Scatchard; Secretary Virginia L. Rees; and the public.

President Topping announced that the Public Hearing had been called with respect to the District's proposed Budget for Fiscal Year 1973; that the hearing would proceed in the order outlined on the Agenda, and that copies of the Budget were available for anyone who desired a copy.

He further stated that the hearing was to hear comments or suggestions regarding the proposed Budget and that no action would be taken this morning, but that the Board of Directors will adopt the Budget on or before June 30, 1972.

Thereupon, the General Manager 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.

The General Manager then read into the record the wire received under date of May 15, 1972 from Coverdale & Colpitts, Consulting Engineers under the Trust Indenture:

"Jack R. Gilstrap, General Manager  
Southern California Rapid Transit District  
Los Angeles, California

Proposed Budget for Fiscal Year 1973 acceptable.  
Recommend its adoption as presented. Letter follow.

(signed) Ernest R. Gerlach  
Coverdale & Colpitts"

At the request of the President, the Secretary of the District stated that she had in her possession affidavits of publication from the Los Angeles Times and the Metropolitan

News showing publication of Notice of Budget Hearing on May 5, 1972.

Appearance of Howard Watts of 3123-1/2 Marathon Street,  
Los Angeles, a Private Citizen

Mr. Howard Watts of 3123-1/2 Marathon Street, Los Angeles, stated that he was speaking as an individual and, after addressing himself to several Budget items, inquired if he might get a copy of the itemized Budget which would show exactly the line items.

The General Manager advised Mr. Watts that he would be able to review the Budget by contacting the General Counsel.

Since there were no other persons present who wished to comment on the Budget, Director Hayward moved that the Budget Hearing be closed, which motion was seconded and unanimously carried.

President Topping announced that the Public Hearing was concluded and that the 1973 Fiscal Year Budget of the Southern California Rapid Transit District would be adopted by the Board of Directors on or before June 30, 1972.

Virginia E. Ross  
Secretary

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

General Manager's Proposed FY 1973  
Operating and Capital Budget  
Presented to the District Board of Directors  
in Public Hearing on May 16, 1972

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Mr. President and Members of the Board:

This statement sets forth, for public hearing, the District staff's proposed operating and capital budgets for the fiscal year starting July 1, 1972. These proposed budgets are for your review and consideration. The final budget must be adopted by the Board on or before July 1, 1972.

We see the new fiscal year as a most important one for the District. The interest in city transit systems has never been greater. All levels of government are facing up to the fact that a city's transit system is a necessity for economic reasons relating to the movement of the work force and to relieve the ever mounting automobile traffic congestion. The budget we have proposed will enable the District to make major improvements in the bus system operation, operate with the present fare structure, with the exception of certain adjustments now under consideration by the District's Board of Directors, and carry on our efforts to move ahead with plans for a rapid transit starter system for the Los Angeles metropolitan area.

In the coming fiscal year we plan to operate about 1650 buses, including 219 new buses to be delivered during the year. Revenue miles operated will be increased about 3% from the current level including anticipated mileage to be operated on the new busway under construction along the San Bernardino Freeway. Funds have been provided for expanded services in our operating area as the need arises. At the same time we will be taking a hard look at all of our operating costs relating to the present system to seek out cost reductions which will not have an adverse effect on our service to the public.

The proposed capital improvement program for the coming fiscal year includes funds for busway stations, improvements in operating yards, bus staging areas and shops, and the purchase of 219 radio equipped, air conditioned buses. In addition, we plan to set aside \$7.5 million for rapid transit in keeping with our previous commitment.

The attached proposed budget is geared to the requirements of the Trust Indenture in that your adoption of a final budget does not constitute approval of each and every item in either the operating or the capital budget. Rather, your adoption of the budget is the process whereby

the Trustee and the Consulting Engineer are assured that the Board has formally approved an operating and capital plan for the coming year, the cost of which can be met by funds which the District can reasonably expect to receive from various sources.

As we all know, we could not hope to finance this operating plan without assistance from sales tax funds provided under the terms of Senate Bill 325. In fact, some \$39 million in sales tax proceeds will be required to balance the proposed operating and capital budgets. The District will be submitting a detailed claim to the Southern California Association of Governments in July in support of our needs.

Schedule A attached displays the proposed operating budget.

Salaries and wages, budgeted at \$49,498,000 is the pacing item, taking 69% of the total operating budget. It is again based on the District's ability to hold the line on wages and salaries as set forth under Federal Phase II guidelines. Negotiations with the United Transportation Union and with the Brotherhood of Railway Clerks are in process. The present labor contracts expire on May 31, 1972.

Obviously the outcome of these negotiations will have a major impact on our operating costs in the coming fiscal year.

Employee benefits, budgeted at \$10,134,000 covers Social Security taxes, pension plan, group life insurance, medical insurance, workmen's compensation and unemployment insurance. A recent actuarial study indicated that the District must increase its contributions materially to its four pension plans, thus contributing an upward push to employee benefit costs.

Supplies for bus maintenance, tickets, building maintenance and office use are budgeted at \$2,276,000, only slightly above the present expenditure level.

Fuel, tires and lubricants are budgeted at \$2,993,000, a slight reduction from present spending levels. The District recently awarded major fuel contracts for the coming year at prices below those in the expiring contracts.

Liability insurance is budgeted at \$3,024,000. Our accident rate has been reduced but the cost of settlements resulting from accidents is increasing due to inflation of medical and legal expenses.

Rents, telephone and utility expenses are budgeted at \$864,000.

Other costs cover a wide range of items including professional services such as legal fees, public accounting and planning consultants; uniform allowances for drivers and maintenance personnel; travel costs; advertising; specialized maintenance contracts; and memberships in professional organizations. This group of mainly services is budgeted at \$2,631,000.

New service fund is being established at a \$500,000 level. Individual cases will be examined by the Board and approved before any funds are expended from this account.

Schedule A also includes our debt service costs fixed by the terms of our bond indenture at \$3,090,000 for the next budget period. This figure declines slowly over the years as bonds are retired.

Schedule B is a cash budget called for by the bond indenture which includes both operating and capital requirements. The figures therein are consistent with the figures in the operating and capital budgets.



Schedule C is our capital budget for the coming fiscal year. Roughly two thirds of this budget will be covered by UMTA grants and the balance will be covered by sales tax receipts. This is a summary budget only. Each capital item will be presented to the Board before actual procurement takes place.

We feel we have established a realistic operating budget at a level which should enable us to maintain good service to our riders in the coming fiscal year in a cost effective manner. Further, we believe that this budget fulfills our basic responsibility to our riders and employees, to the taxpayers of the State and to the bondholders to propose a budget that provides reasonable and proper wages for our 4,000 employees but at the same time wages that are not excessive or inflationary. Our capital program will meet our commitments to maintain and improve our bus fleet and general support facilities, as well as provide our initial rapid transit construction commitment.

Mr. President and Members, this concludes my budget presentation for the new fiscal year starting July 1, 1972.

Southern California Rapid Transit District  
Proposed Budget for Fiscal Year 1973  
(Thousands of Dollars)

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## Operating Expenses:

Salaries, wages	\$49,498
Employee benefits	10,134
Supplies	2,276
Fuel, tires, lubricants	2,993
Liability insurance	3,024
Rents, telephone, utilities	864
Other costs	2,631
New service fund	<u>500</u>
Sub-total	\$71,920

## Debt Service Costs:

Interest	\$ 1,385
Sinking fund	<u>1,705</u>
Total	<u>\$75,010</u>

## SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

Cash Budget  
Fiscal Year 1973  
(Thousands of Dollars)

	Estimated Balance <u>6/30/72</u>	Additions <u>FY 1973</u>	With- drawals <u>FY 1973</u>	Projected Balance <u>6/30/73</u>
Revenue Fund	-	99,665	99,665	-
 Distribution of Revenue Fund:				
Operation Fund	2,500	71,920	71,920	2,500
Interest Fund	118	1,385	1,390	113
Sinking Fund	-	1,765	1,705	-
Bond Reserve Fund	3,187	-	-	3,187
Depreciation Reserve Fund	3,000	24,655	24,655	3,000
General Fund	1,274	-	-	1,274
Totals	<u>10,079</u>	<u>99,665</u>	<u>99,670</u>	<u>10,074</u>

## Schedule C

## Southern California Rapid Transit District

Capital Budget  
Fiscal Year 1973  
(Dollars in Thousands)

Busway project (CAL-UTG-34)	\$ 3,500
New buses (212), radio equipment, bus washing equipment (CAL-UTG-40)	10,000
Five year capital improvement program, FY 1973 portion of \$63,455,000 program (CAL-UTG-49)	11,055
Miscellaneous capital assets, not related to grants	<u>100</u>
	<u><u>\$24,655</u></u>

## Note:

In addition to the above, the District proposes to set aside \$7,500,000 of SB 325 funds for future application to the rapid transit capital project.