



**Metro**

Los Angeles County  
Metropolitan Transportation Authority

One Gateway Plaza  
Los Angeles, CA 90012-2952

**26**

**FINANCE AND BUDGET COMMITTEE**

**January 18, 2012**

**SUBJECT: FISCAL YEAR 2011 YEAR END BUDGET FINANCIAL PERFORMANCE**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

Receive and file report on year end financial performance for Fiscal Year (FY) 2011 budget.

**ISSUE**

Per the Metro Financial Stability Policy to deliver safe, high quality and reliable transportation services that are based upon a strong and stable financial foundation.

**DISCUSSION**

**SUMMARY OF REVENUES AND EXPENSES**

The agency ended FY11 with 7.3%, or \$257.0 million, less in total net revenues than the \$3,501.5 million budgeted primarily due to lower expenditure driven capital and planning grant revenue. Expenses ended the reporting period \$546.6 million or 14.0% below budget of \$3,913.7 million. The impact of the revenue shortfall was mitigated by the reduction in expense. Combining the revenues and expenses, Metro was \$289.6 million under budget for the period of July 1, 2010 to June 30, 2011.

(Dollars in Millions)

	<b>Rev/Exp</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>% Variance</b>
1	Total New Revenues	\$ 3,501.5	\$ 3,244.5	\$ (257.0)	-7.3%
2	Total Expenses/Expenditures	3,913.7	3,367.1	546.6	-14.0%
3	<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (412.2)</b>	<b>\$ (122.6)</b>	<b>\$ 289.6</b>	

## SUMMARY OF REVENUES

(Dollars in Millions)		For the Fiscal Year Ended June 30, 2011			
1	Sources	Budget	Actual	Variance	% Variance
2	Sales Tax & TDA Revenues				
3	Proposition A	\$ 589.8	\$ 601.9	\$ 12.1	2.1%
4	Proposition C	589.8	601.9	12.1	2.1%
5	Measure R	589.8	598.6	8.8	1.5%
6	Transportation Development Act	294.9	301.6	6.7	2.3%
7	Subtotal Sales Tax & TDA Revenues	\$ 2,064.3	\$ 2,104.0	\$ 39.7	1.9%
8					
9	Passenger fares	335.4	336.1	0.7	0.2%
10	Advertising	28.0	28.0	-	0.0%
11	Federal Grants	516.2	477.6	(38.6)	-7.5%
12	State Sources including Prop 1B & TCRP	498.1	177.3	(320.8)	-64.4%
13	Local Grants and contributions	30.0	18.6	(11.4)	-38.0%
14	Investment Income	1.0	37.8	36.8	3680.0%
15	Other Income	28.5	65.1	36.6	128.4%
16					
17	Total New Revenues	\$ 3,501.5	\$ 3,244.5	\$ (257.0)	-7.3%

- Sales Tax:

Metro's sales tax and TDA revenue of \$2,104.0 million finished the year 1.9% more than budgeted \$2,064.3 million. This represents a 6.9% increase over the prior year actual of \$1,968.3 million<sup>1</sup>. The local economy grew slightly more than expected, but is still substantially below pre-recession levels.

- Passenger Fare Revenue:

Passenger fare revenue of \$336.1 million was slightly higher than the budgeted amount of \$335.4 million or .2%. Boardings of 453.0 million slightly exceeded the budgeted boardings of 445.9 million by 1.6%. The resulting fare revenue per boarding of 74¢ was slightly below budget of 75¢. A number of factors contributed to the fare revenue and boardings results including the sluggish economy and the effects of the July 1, 2010 fare increase.

- Federal and State Grants:

Federal and State grant revenues are primarily reimbursements, parallel planning, and capital expenditure activity which came in below budget. Details of these expenses can be found in the "Summary of Expenses" section of this report.

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<sup>1</sup> The year over year increase was 6.3% excluding Measure R revenue which was only partially collected in FY10.

- Investment Income

Investment income significantly exceeded the budget due to greater than anticipated cash balances. The higher than anticipated balances are primarily due to slower than expected drawdowns to fund capital projects and planning subsidies during the year.

- Other:

Other income came in above budget by \$36.6 million primarily due to higher than budgeted, CNG federal tax credits, and right-of-way lease revenues.

### SUMMARY OF EXPENSES

Overall, expenses totaled \$3,367.1 million, which is \$546.6 million (14.0%) below budget. Variance explanations are discussed below.

(Dollars in Millions)

	<b>Expenditure</b>	<b>YTD Budget</b>	<b>YTD Actual</b>	<b>Variance</b>	<b>% Variance</b>
1	Bus & Rail Operating	\$ 1,202.8	\$ 1,181.0	\$ 21.8	1.8%
2	Metro Capital	696.0	704.7	(8.7)	-1.2%
3	Subsidies	1,095.1	884.2	210.9	19.3%
4	Other Agencywide Operating	622.9	288.3	334.6	53.7%
5	Debt Service	296.8	308.9	(12.0)	-4.1%
6	<b>Total Expenses/Expenditures</b>	<b>\$ 3,913.7</b>	<b>\$ 3,367.1</b>	<b>\$ 546.6</b>	<b>14.0%</b>

The table below shows the variances by type of funding with additional information about how the funding will be used in the future:

	<b>Year End as of June 30, 2011</b>				<b>Additional Information</b>
	<b>Summary of FY11 Budget Variance Balances (\$'s in millions)</b>	<b>Under/(Over) Budget Balance</b>	<b>Type of Funding</b>		
			<b>Grants</b>	<b>Local</b>	
1	Metro Operating	\$ 21.8	\$ -	\$ 21.8	Will be factored FY13 Metro Operations Budget Process
2	Metro Capital excluding Union Station and Gold Line Foothill Costs	151.6	112.1	39.5	\$24M of the Local under run relates to Capital restricted funding (Measure R 35 and Prop C 25). The remainder of Local Funds will be used as local match for FY13 Capital Project Expenditures.
3	Union Station Acquisition	(75.0)	-	(75.0)	Board approved purchase with Commercial Paper, eventually to be converted to Prop A 35 Bonds
4	Gold Line Foothill Land Acquisition	(21.8)	-	(21.8)	Board approved purchase with Measure R 35 Cash
5	Expo Phase II Land Acquisitions	(63.5)	-	(63.5)	Board approved purchase of Verizon Santa Monica Property with Measure R 35 Bond Proceeds
6	Subsidies	210.9	-	210.9	Undrawn funds programmed to Subsidy. See details in Subsidy schedule below.
7	Other Operating	334.6	107.0	227.6	State grant for I-405 Car Pool Lane Proj. Local funds are from Measure R 35 and TCRP Cash used to advance Planning studies on Measure R Projects not yet eligible for Measure R Funding.
8	Debt Service	(12.0)	-	(12.0)	Unbudgeted debt service on newly issued Measure R 35% debt
9	<b>Totals</b>	<b>\$ 546.6</b>	<b>\$ 219.1</b>	<b>\$ 327.5</b>	

- Metro Bus & Rail Operating Expenses:

Metro operating expenses were \$21.8 million, 2%, below the \$1,203.0 million budget as a result of executive efforts to control cost.

(Dollars in Millions)	Budget	Actual	Variance	%	Explanation
1 Wages	498.1	502.7	(4.6)	-1%	Overtime offsets vacancy savings
2 Benefits	220.3	208.7	11.6	5%	Fringe benefit postponed to future year
3 Fuel & Propulsion Power	67.8	65.2	2.6	4%	Lower CNG price more than offsets electric rate increase
4 Parts	81.6	94.2	(12.6)	-15%	Offset by delayed capital bus maintenance
5 Security Services	67.4	67.9	(0.5)	-1%	On budget
6 Facilities Services	12.8	10.5	2.3	18%	Delayed bus and rail facilities maintenance activities
7 TAP Services	9.3	9.9	(0.6)	-6%	TAP service center operations
8 Other Services	48.3	39.5	8.8	18%	Small variances in multiple departments
9 Purchased Transportation	44.3	42.4	1.9	4%	RSH 2% below plan
10 Workers' Comp & PLPD	78.7	78.9	(0.2)	0%	On budget
11 Other	74.2	61.1	13.1	18%	Overhead postponed to future year \$5.2M & Refund of prior year sales tax payment \$7.9M
12 Total Expense	1,202.8	1,181.0	21.8	2%	

- Metro Capital:

Metro capital was \$8.7 million, 1.2% over the \$696.0 million budget. The unplanned acquisition of Union Station and expenditures for the Foothill Extension of the Gold Line more than offset the timing issues and project delays in budgeted projects.

Project/Category	Budget	Actual	\$ Variance	% Variance	Explanation
1 Bus Acquisition	78.1	55.0	23.1	29.6%	Vehicle production delays
2 Congestion Relief Projects	72.6	43.7	28.8	39.7%	Contract award and invoicing delays
3 Bus Maintenance	38.6	29.0	9.6	24.9%	Delivery and installation of engines behind schedule
4 UFS/TAP	13.9	0.9	13.0	93.5%	Acquisition behind schedule, payments delayed, unused contingency
5 Eastside Light Rail	21.2	11.6	9.6	45.1%	Billing delays, unused contingency budget
6 Mid-City Expo Light Rail Phase 1	181.2	182.4	(1.2)	-0.7%	Project advancing more rapidly than anticipated.
7 Mid-City Expo Light Rail Phase 2	83.3	129.2	(45.9)	-55.1%	Timing variances, pending RE purchases, and contract award
8 Metro Orange Line Ext.	65.4	39.5	26.0	39.7%	Expenses less than estimated
9 LRV Fleet Enhancement	32.5	15.2	17.3	53.3%	Vehicle acceptance delayed
10 Gold Line Foothill Extension (1)	-	21.8	(21.8)	NA	Unbudgeted project expenses
11 Crenshaw/LAX Transit Corridor	12.6	12.9	(0.4)	-2.9%	Project on schedule
12 Union Station Acquisition	-	75.1	(75.1)	NA	Unbudgeted project expenses
13 Administration - Capital Program and Construction	-	2.2	(2.2)	NA	Admin cost to be allocated to projects
14 Other Projects	96.8	86.3	10.6	10.9%	Timing variances
15 Total Capital	696.0	704.7	(8.7)	-1.2%	

(1) Note: Gold Line Foothill Extension project expenses do not include subsidy expenses.

- Subsidies:

Subsidies were \$210.9 million, 19.3% below the \$1,095.1 million budget representing delays in drawdowns in programmed funds by non-Metro operators.

	Category (Dollars in Millions)	Budget	Actual	Variance	% Variance	Explanation
1	Commuter Rail	75.9	42.9	33.0	43.5%	Invoicing delays with LOSSAN and Positive Train Control Project.
2	Municipal Operators	255.5	279.3	(23.9)	-9.4%	Municipal operators have draw down from FY10 allocated capital reserves.
3	Planning & Admin	1.4	0.4	1.0	70.7%	Broadway Streetcar contract was awarded in Q4; Unified Rail Yard project was on hold due to limited staff resources.
4	Prop A Incentive	13.5	16.5	(3.0)	-22.0%	City of LA draw down from prior years allocated capital reserves.
5	Other Transit	51.0	50.9	0.2	0.3%	
6	<b>Transit</b>	<b>\$ 397.3</b>	<b>\$ 389.9</b>	<b>\$ 7.4</b>	<b>1.9%</b>	
7	Bus Capital Operations	3.8	0.5	3.2	86.1%	Invoicing delays and projects progressing slower than cities anticipated.
8	Freeway	60.0	16.8	43.2	72.0%	
9	Local Traffic System	30.2	14.7	15.4	51.2%	Issues with AP accrual, delay/timing of invoices, and unanticipated schedule delays; changes to ROW issues is causing the projects to be behind schedule as well.
10	Local Transportation Project	3.2	1.2	2.0	62.7%	
11	MTA Sponsored CFP Proj/PC25	0.1	-	0.1	100.0%	
12	Regional Surface Trans	72.4	43.7	28.7	39.6%	
13	Soundwalls Program	7.2	3.2	4.0	55.4%	CALTRANS is completing soundwall designs for various cities.
14	<b>Call For Projects</b>	<b>\$ 176.8</b>	<b>\$ 80.2</b>	<b>\$ 96.7</b>	<b>54.7%</b>	
15	Local Return	343.4	344.1	(0.7)	-0.2%	Municipal operators have drawn down on prior years capital reserves.
16	Pedestrians & Bikes	4.9	7.4	(2.5)	-49.7%	Waiting on claims for TDA Article 8 (for drawdown).
17	Street & Hwys	14.6	11.1	3.4	23.6%	
18	<b>Population</b>	<b>\$ 362.9</b>	<b>\$ 362.7</b>	<b>\$ 0.3</b>	<b>0.1%</b>	
19	Gap Closure Project	0.5	-	0.5	100.0%	Invoicing delays from LA.
20	JARC PROGRAM CAPTL & OPS	4.2	0.3	3.9	92.5%	Variance due to delays with the sub-grantee's implementing and moving projects forward.
21	Metro Rapid Bus	12.1	0.5	11.6	96.3%	Invoice and timing delays
22	NEW FREEDOM CAPTL & OPERATING	3.8	0.4	3.4	89.9%	Variance due to delays with the sub-grantee's implementing and moving projects forward.
23	REGIONAL GRANTEE-FTA	5.1	1.7	3.4	66.9%	
24	Other Federally Funded Projects	-	(0.3)	0.3	N/A	Accounting accrual
25	<b>Federally Funded</b>	<b>\$ 25.7</b>	<b>\$ 2.5</b>	<b>\$ 23.1</b>	<b>90.1%</b>	
26	<b>Measure R</b>	<b>\$ 132.4</b>	<b>\$ 48.9</b>	<b>\$ 83.5</b>	<b>63.1%</b>	Measure R Highway Capital 20% - see details in Measure R schedule below.
27	<b>Total</b>	<b>\$ 1,095.1</b>	<b>\$ 884.2</b>	<b>\$ 210.9</b>	<b>19.3%</b>	

- Other Agency-wide Operating Expenses:

Other Metro operating expenses were \$334.6 million, 53.7%, below the \$622.9 million budget.

	Project/Category (Dollars in Millions)	%				Explanation
		Budget	Actual	Variance	Variance	
1	Freeway Service Patrol	\$ 25.3	\$ 26.6	\$ (1.3)	-5.0%	PLPD chargeback and NC labor
2	SAFE	13.1	6.9	6.2	54.1%	Contract Service delays
3	I-405 Car Pool Lanes	195.3	108.5	86.7	44.4%	Delayed in receipt of contractor invoices and scope reduction
4	Measure R Planning Project	289.5	83.8	205.8	71.1%	See below chart - "Measure R Project Status" report for details
5	Other Planning Projects	62.4	42.2	20.2	32.4%	Professional Service cost postponed to FY12
6	Overhead	26.7	15.5	11.2	42.1%	Timing of Overhead Allocation
7	General Fund Project	10.6	4.9	5.7	47.5%	Accounting prior year adjustment
8	Total	\$ 622.9	\$ 288.3	\$ 334.6	53.7%	

- Debt Service Expenses:

Debt principal and interest expenses were \$12.0 million above budget due to the unplanned issuance of Measure R debt

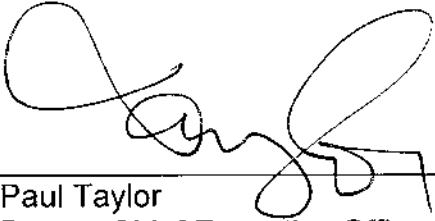
## MEASURE R

Measure R projects ended the reporting period with \$238 million, or 23.2%, below the \$1,026.3 million budget. The chart below separates the Measure R projects by Measure R sub fund and explains projects that had significant variances. (Note: Measure R projects are included in the bus and rail operating, capital, other operating, subsidies and debt discussions above as well.)

Measure R Report

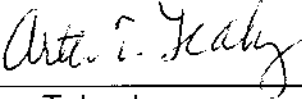
Project (Dollars in Millions)		Budget	Actual	Variance	% Variance	Explanation
1	Admin-Measure R	5.3	3.2	2.1	40.2%	Lower than expected professional cost and labor cost.
2	Project Mgmt Information System	0.9	0.9	(0.1)	-6.4%	
3	<b>Administration (1.5%)</b>	<b>\$ 6.1</b>	<b>\$ 4.1</b>	<b>\$ 2.1</b>	<b>33.7%</b>	
4	Debt Service- Measure R	0.0	24.2	(24.2)	-690144.7%	Measure R Bond was not budgeted in FY11.
5	<b>Debt Service</b>	<b>\$ 0.0</b>	<b>\$ 24.2</b>	<b>\$ (24.2)</b>	<b>-690144.7%</b>	
6	Countywide Soundwall Projects	15.8	8.2	7.6	48.2%	Delays in invoicing. Packages 6 & 8 and 5 & 7 went out to bid in 4th quarter FY11.
7	High Desert Corridor	12.7	0.4	12.2	96.5%	Delays in invoicing.
8	Hwy Operating Improvements Arroyo Verdugo	16.6	0.0	16.5	100.0%	Developing MOU's for FY12 approved projects
9	Hwy Operating Improvements Virgenes/Malibu	17.0	2.4	14.6	85.8%	Developing MOU's for FY12 approved projects No invoicing yet as Funding Agreements were just executed on 5/26/11.
10	I-5 N Enhance SR14/Kern County	8.0	-	8.0	100.0%	
11	I-605 Corridor "Hot Spot"	10.6	1.3	9.4	88.0%	Delays in procuring the contract.
12	I-710 South Early Action Projects	8.9	0.8	8.1	90.8%	Delays in procuring the contract.
13	Phase II Alameda Corridor E Grade Separation	31.1	15.5	15.6	50.1%	Alameda Corridor involving eight grade separations is in various stages of development
14	SR-138 Capacity Enhance	18.0	0.0	18.0	100.0%	Delays in procuring the contract.
15	Other Highway Capital Projects	5.8	2.9	2.9	50.1%	
16	<b>Highway Capital (20%)</b>	<b>\$ 144.5</b>	<b>\$ 31.5</b>	<b>\$ 113.0</b>	<b>78.2%</b>	
17	Measure R 15% Local Return	87.1	87.2	(0.0)	0.0%	On budget.
18	<b>Local Return (15%)</b>	<b>\$ 87.1</b>	<b>\$ 87.2</b>	<b>\$ (0.0)</b>	<b>0.0%</b>	
19	Measure R 20% FAP Subsidies	34.2	32.8	1.4	4.1%	Slower than expected draw down of funds by municipal operators.
20	Metro Bus Share	114.5	114.5	0.0	0.0%	
21	Metro Orange Line	2.9	2.9	0.0	0.0%	
22	<b>Operations - Bus (20%)</b>	<b>\$ 151.6</b>	<b>\$ 150.2</b>	<b>\$ 1.4</b>	<b>0.9%</b>	Lower than budgeted labor, fringe benefit and allocated overhead.
23	Gold Line	3.0	3.0	(0.0)	0.0%	
24	<b>Operations - Rail (5%)</b>	<b>\$ 3.0</b>	<b>\$ 3.0</b>	<b>\$ (0.0)</b>	<b>0.0%</b>	Below budget operating cost on the eligible Gold Line East Extension operating cost.
25	Eastside Quad Gate Study and Installation	8.6	1.0	7.6	88.4%	Scope of study reduced; implementation deferred to FY12 after simulations.
26	<b>Transit Capital - Metro Rail CP (2%)</b>	<b>\$ 8.6</b>	<b>\$ 1.0</b>	<b>\$ 7.6</b>	<b>88.4%</b>	
27	MetroLink Transit Capital	17.4	-	17.4	100.0%	Did not utilize any of the Measure R capital funding, but will apply these funds towards positive train control in future.
28	<b>Transit Capital - MetroLink (3%)</b>	<b>\$ 17.4</b>	<b>\$ -</b>	<b>\$ 17.4</b>	<b>100.0%</b>	
29	Crenshaw/Lax Transit Corridor	26.2	23.5	2.7	10.4%	Crenshaw - Invoicing on the environmental contract is slower than anticipated. Working with contractor to expedite invoicing.
30	Eastside Extension Phase II	6.9	5.0	1.9	27.5%	Invoice timing delays and continuing with preparation of Draft EIR/EIS
31	Eastside Light Rail Access	5.3	0.6	4.7	88.4%	County work delayed. City contract just getting underway.
32	Expo Blvd LRT Construction Phase I - Expo	169.0	169.3	(0.3)	-0.2%	Project advancing more rapidly than anticipated.
33	Expo Blvd LRT Construction Phase I - Metro	12.2	13.1	(0.9)	-7.4%	Project advancing more rapidly than anticipated.
34	Expo Blvd LRT Construction Phase II - Expo	83.3	65.6	17.6	21.2%	Timing variances. Pending RE purchases, and contract award.
35	Expo Blvd LRT Construction Phase II - Metro	109.9	63.8	46.1	42.0%	Pending RE purchases, and contract award.
36	Metro Orange Line Extension	65.4	39.5	26.0	39.7%	Delayed CTC funding actions and bid protest and recent design builder delay in completing design units causing later than forecast construction activity.
37	Reg Clean Fuel Bus Capital	1.7	3.1	(1.4)	-79.4%	Project advancing more rapidly than anticipated.
38	Regional Connector	24.5	14.3	10.1	41.4%	Timing variance due to invoice submittals about 60 days in arrears. Completing Final EIR/EIS
39	SFV East N/S Rapid	1.8	0.5	1.3	71.2%	Project schedule revised since budget adoption. Board awarded contract in April 2011.
40	Westside Subway Extension	41.6	31.9	9.7	23.3%	Project delay due to additional geotechnical analysis required and identification of portal locations.
41	Gold Line Foothill Ext	54.1	53.5	0.6	1.1%	Variance not considered significant
42	Green Line Ext Redondo Beach-South Bay	3.1	3.2	(0.1)	-3.2%	Variance not considered significant
43	Other Transit Capital Projects	3.0	0.2	2.8	93.3%	Variance not considered significant
44	<b>Transit Capital - New Rail (35%)</b>	<b>\$ 607.9</b>	<b>\$ 487.1</b>	<b>\$ 120.8</b>	<b>19.9%</b>	
45	<b>Grand Total</b>	<b>\$ 1,026.3</b>	<b>\$ 788.2</b>	<b>\$ 238.0</b>	<b>23.2%</b>	

Prepared by: The Office of Management & Budget



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