



Metro

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Metropolitan Transportation Authority

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**FINANCE AND BUDGET COMMITTEE
JANUARY 18, 2012**

SUBJECT: FISCAL YEAR 2012 FIRST QUARTER BUDGET FINANCIAL PERFORMANCE

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file the first quarter financial performance for Fiscal Year (FY) 2012 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 the first quarter of FY12 with 7.7%, or \$69.0 million less revenue than the \$898.9 million budgeted. Expenses ended the reporting period \$251.7 million or 25.7% below budget of \$979.5 million. The impact of the revenue shortfall was mitigated by the reduction in expense. Combining the revenues and expenses, Metro was \$182.8 million under budget for the period of July 1, 2011 to September 30, 2011.

(Dollars in Millions)

	Rev/Exp	Budget	Actual	Variance	% Variance
1	Total New Revenues	\$ 898.9	\$ 829.9	\$ (69.0)	-7.7%
2	Total Expenses/Expenditures	979.5	727.8	251.7	25.7%
3	New Revenue Over/(Under) Expenses	\$ (80.6)	\$ 102.1	\$ 182.8	

SUMMARY OF REVENUES

(Dollars in Millions)		A	B	C = B - A	D = C / A
		YTD September 30, 2011			
Source		Budget	Actual	Variance	%
1	Sales Tax & TDA Revenues				
2	Proposition A	\$ 151.3	\$ 158.7	\$ 7.4	4.9%
3	Proposition C	151.3	158.7	7.4	4.9%
4	Measure R	151.3	156.9	5.6	3.7%
5	Transportation Development Act	75.6	80.3	4.7	6.2%
6	Subtotal Sales Tax & TDA Revenues	\$ 529.5	\$ 554.6	\$ 25.1	4.7%
7					
8	Passenger fares	83.0	83.4	0.4	0.5%
9	Advertising	7.6	6.7	(0.9)	-11.8%
10	Federal Grants	132.9	127.3	(5.6)	-4.2%
11	State Sources including Prop 1B & TCRP	124.7	37.8	(86.9)	-69.7%
12	Local Grants and contributions	3.1	0.5	(2.6)	-83.9%
13	Investment Income	1.3	7.7	6.4	492.3%
14	Other Income	16.8	11.9	(4.9)	-29.2%
15					
16	Total New Revenues	\$ 898.9	\$ 829.9	\$ (69.0)	-7.7%

- Sales Tax:

Metro's sales tax and TDA revenue of \$554.6 million¹ finished the quarter 4.7% more than the budgeted \$529.5 million. This represents a 9.1% increase over the prior year first quarter actuals of \$508.4 million. The local economy continues to recover from the recession, but is still substantially below pre-recession levels. Staff will continue to closely track sales tax revenue receipts and report significant trends to the Board as they become apparent.

- Passenger Fare Revenue:

Passenger fare revenue of \$83.4 million was slightly higher than the budgeted amount of \$83.0 million or .5%. Boardings of 116.2 million slightly exceeded the budgeted boardings of 112.3 million by 3.5%. The resulting fare revenue per boarding of 72¢ was slightly below budget of 73¢. A number of factors contributed to the fare revenue and boardings results including the sluggish economy, and the \$5.00 day pass.

- Federal and State Grants:

¹ The actual first quarter sales tax revenue information presented above are based on reports received from the State Board of Equalization in mid-December 2011 which is beyond the reporting cut-off period used for Accounting purposes.

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.

- Investment Income

Investment income of \$7.7 million significantly exceeded the budget of \$1.3 million due to greater than anticipated cash balances. The higher than anticipated balances are related to slower than expected drawdowns to fund capital projects and planning subsidies during the quarter. Metro continues to invest the unused funds according to Board approved policy.

- Other:

Other income including advertising, local capital contributions, and other sources came in below budget by \$8.4 million for the quarter primarily due to billing delays that are expected to catch-up to budget levels by the end of the fiscal year.

SUMMARY OF EXPENSES

Overall, expenses totaled \$727.8 million, which is \$251.7 million 25.7% below budget. Variance explanations are discussed below.

Summary of Expenses/Expenditures
(Dollars in Millions)

	Expenditure	Budget	Actual	Variance	% Variance
1	Bus & Rail Operating	\$ 292.4	\$ 280.7	\$ 11.7	4.0%
2	Metro Capital	246.8	134.0	112.8	45.7%
3	Subsidies	276.4	174.7	101.7	36.8%
4	Other Agencywide Operating	80.6	56.9	23.7	29.4%
5	Debt Service	83.2	81.6	1.7	2.0%
6	Total Expenses/Expenditures	\$ 979.5	\$ 727.8	\$ 251.7	25.7%

The table below shows the expense/expenditure variances dispositions by color of money and type of fund:

		YTD through September 30, 2011			
		Color of Money			
1	Fund Type	Variance Under/(Over) Budget	Grants	Local	Additional Information
2	Metro Operating	\$ 11.7	\$ -	\$ 11.7	Available for operations. If this trend continues for the remainder of the fiscal year the resulting variance will be factored into future budgets.
3	Metro Capital	112.8	90.2	22.6	Not available for transit operations. These local funds serve as a required match for grant funded capital projects.
4	Subsidies	101.7	-	101.7	Not available for transit operations. Please refer to separate Subsidies Detail schedule
5	Other Operating	23.7	-	23.7	Not available for transit operations. These funds are mostly from Measure R 35% and TCRP Cash which is used to advance Planning studies on Measure R Projects not yet eligible for Measure R Funding.
6	Debt Service	1.7	-	1.7	Not available for transit operations. Funds restricted by Board approved debt service policy.
7	Totals	\$ 251.7	\$ 90.2	\$ 161.5	

- Metro Bus & Rail Operating Expenses:

Metro operating expenses were \$11.7 million, 4%, below the \$292.4 million budget as a result of executive efforts to control cost.

(\$ in Millions)	Budget	Actual	Variance	% Variance	Explanation
1 Wages	123.7	123.1	0.6	0%	Vacancy savings
2 Benefits	56.1	56.4	(0.3)	-1%	Timing of fringe benefit allocations
3 Fuel & Propulsion Power	14.7	13.7	1.0	7%	Lower CNG & electric prices
4 Parts	20.8	20.9	(0.1)	0%	On budget
5 Security Services	16.9	16.4	0.5	3%	Timing of LASD & contract security invoices
6 Facilities Services	4.8	3.0	1.8	38%	Late elevator/escalator invoices
7 TAP Services	2.2	1.2	1.0	45%	TAP service center operations
8 Other Services	10.7	7.9	2.8	26%	Small variances in multiple departments
9 Purchased Transportation	9.4	9.2	0.2	2%	Timing of invoices RSH on plan
10 Workers' Comp & PLPD	19.5	19.1	0.4	2%	Timing of insurance payments
11 Other	13.6	9.8	3.8	28%	Timing of overhead allocation
12 Total Expense	292.4	280.7	11.7	4%	

- Metro Capital:

Capital expenses in the first quarter of FY12 are 45.7% under budget due to a combination of delayed invoices and billing, delayed contract awards, and timing variances.

	Project/Category	Budget	Actual	\$ Variance	% Variance	Explanation
1	Bus Acquisition	4.9	4.9	0.1	1.9%	Project on schedule
2	Congestion Relief Projects	18.1	12.8	5.3	29.3%	Contract award and invoicing delays
3	Bus Maintenance	10.4	7.4	3.0	28.6%	Delivery and installation of engines behind schedule
4	UFS/TAP	0.6	0.0	0.6	93.2%	Acquisition behind schedule, payments delayed, unused contingency
5	Eastside Light Rail	2.0	0.5	1.5	75.1%	Billing delays, unused contingency budget
6	Mid-City Expo Light Rail Phase 1	27.8	27.4	0.4	1.3%	Project on schedule
7	Mid-City Expo Light Rail Phase 2	66.3	22.5	43.8	66.1%	Timing variances, pending RE purchases, and contract award
8	Metro Orange Line Ext.	26.8	12.7	14.1	52.6%	Expenses less that estimated
9	Rail Car Purchase/Rehab	13.0	1.1	11.9	91.3%	Vehicle acceptance and rehab programs delayed
10	Gold Line Foothill Extension (excluding Subsidy Account expenses)	16.8	10.2	6.6	39.5%	Invoices amount received from Foothill CA less that anticipated due to delay in awarding the construction contract.
11	Crenshaw/LAX Transit Corridor	6.6	5.0	1.7	25.0%	Delayed Record of Decision from FTA has impacting making offers on required real estate purchases.
12	Regional Connector	6.4	4.1	2.3	35.6%	Underrun due to less than anticipated expenditures for 3rd Party Utility Agencies
13	Westside Subway Extension	11.6	9.1	2.5	21.6%	Underrun due to less than anticipated expenditures for 3rd Party Utility Agencies
14	Other Measure R Projects	2.3	1.7	0.5	23.3%	Some projects advancing ahead of schedule
15	Administration - Capital Program and Construction	-	0.6	(0.6)	0.0%	Admin cost to be allocated to projects
16	Other Projects	33.2	14.0	19.2	57.8%	Timing variances
17	Grand Total	246.8	134.0	112.8	45.7%	

- Subsidies:

Subsidies were \$174.7 million, 37% below the \$276.4 million budget representing delays in drawdowns in programmed funds by non-Metro operators.

	Category (Dollars in Millions)	Budget	Actual	Variance	% Variance	Explanation
1	Transit					
2	Access Services	12.5	12.3	0.2	2%	Small variance due to timing, correct by Nov.
3	Commuter Rail	18.4	4.3	14.2	77%	Invoicing delays with LOSSAN and Positive Train Control Project.
4	Fare Assistance	2.2	1.2	1.0	46%	Invoicing delays with SHORE and Rider Relief Program.
5	Municipal Operators	75.7	55.5	20.2	27%	Delayed municipal operator drawdowns.
6	Planning & Admin	0.2	-	0.2	100%	Invoicing delays.
7	Prop A Incentive	3.3	0.4	2.9	87%	Year end accrual and invoicing delays.
8	Transit Total	\$ 112.4	\$ 73.7	\$ 38.7	34%	
9	Call For Projects					
10	Bus Capital Operations	1.0	0.0	1.0	99%	Projects progressing slower than cities anticipated.
11	Freeway	6.1	1.4	4.7	77%	
12	Local Traffic System	5.0	0.8	4.2	83%	Delay/timing of invoices, and unanticipated schedule delays; changes to ROW issues is causing the projects to be behind schedule as well.
13	MTA Sponsored CFP Proj/PC25	0.8	-	0.8	100%	
14	Regional Surface Trans	15.7	1.3	14.5	92%	
15	Regional Bikeways	0.1	-	0.1	100%	
16	Transportation Demand MGT	0.7	-	0.7	100%	
17	Local Transportation Project	0.0	0.5	(0.5)	-3568%	No year end accrual. Payment for last year's invoice - Santa Fe Springs Transportation Center Improvement Project.
18	Soundwalls Program	0.5	0.1	0.4	84%	CALTRANS is completing soundwall designs for various cities.
19	Call For Projects Total	\$ 29.9	\$ 4.0	\$ 25.8	86%	
20	Population					
21	Local Return	88.1	88.1	(0.0)	0%	
22	Pedestrians & Bikes	1.5	0.3	1.1	77%	Delayed municipal operator drawdowns.
23	Street & Hwys	4.4	0.4	4.0	91%	
24	Population Total	\$ 93.9	\$ 88.8	\$ 5.1	5%	
25	Federally Funded					
26	Gap Closure Project	1.8	-	1.8	100%	Invoicing delays from LA.
27	Highway Pass Through Programs	0.7	(0.0)	0.7	101%	Invoicing delays and reverse of year end accounting accrual.
28	New Freedom Capital & Operations	1.5	0.0	1.4	98%	Delays with the sub-grantee's implementing and moving projects forward.
29	JARC Programs Capital & Ops	1.8	0.1	1.7	95%	
30	Metro Rapid Bus	1.8	0.3	1.5	82%	Invoice and timing delays
31	Regional Grantee-FTA	0.0	0.2	(0.2)	-622%	No year end accrual. The variance over budget is due to payment for Hybrid bus for City of South El Monte
32	Very Small Wilshire Bus Lane	3.8	-	3.8	100%	Project does not move ahead.
33	Federally Funded Total	\$ 11.3	\$ 0.7	\$ 10.7	94%	
34	MR Total	\$ 28.8	\$ 7.3	\$ 21.5	75%	Measure R Transit Capital - New Rail 35% and Highway Capital 20% - see details in Measure R schedule below.
35	Total	\$ 276.4	\$ 174.7	\$ 101.7	37%	

- Other Agency-wide Operating Expenses:

Other Metro operating expenses were \$56.9 million, 29.4%, below the \$80.6 million budget.

(Dollars in Millions)

	Project/Category	Budget	Actual	Variance	% Variance	Explanation
1	Freeway Service Patrol	\$ 6.4	\$ 4.1	\$ 2.3	35.5%	Lower FSP Tow Contractor expenditures due to lower than anticipated average hourly rate on last procurement and non-use of operational contingency funds.
2	SAFE	2.3	1.4	1.0	41.4%	Working with Procurement to issue 511Contract.
3	I-405 Car Pool Lanes	28.4	30.2	(1.8)	-6.3%	Over budget is due to year end under accrual of payments to contractor and DWP.
4	Measure R Planning Project	19.1	3.6	15.6	81.3%	See below chart - "Measure R Project Status" report for details
5	Other Planning Project	15.9	9.1	6.9	43.1%	Delayed in professional service cost.
6	Overhead	6.4	7.1	(0.7)	-10.5%	Timing of Overhead Allocation
7	General Fund Project	2.0	1.5	0.6	27.6%	Accounting adjustment and timing variance
8	Total	\$ 80.6	\$ 56.9	\$ 23.7	29.4%	

- Debt Service Expenses:

Debt principal and interest expenses were \$1.7 million, or 2.0% below budget due to historic low interest rates on Prop A Tax-Exempt CP notes.

MEASURE R EXPENSES

Measure R projects ended the reporting period with \$175.5 million, or 40%, below the \$291.0 million budget. The chart below separates the Measure R projects by Measure R subfund 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 Expense Variance Report

Measure R Fund		Budget	Actual	Variance	%	Explanation
1	Administration (1.5%)					
2	Admin-Measure R	3.1	0.7	2.3	77%	Lower than expected professional cost and labor cost.
3	Project Mgmt Information System	0.2	0.1	0.1	56%	Small variance due to timing
4	Transit Oriented Development Grant Program	1.3	-	1.3	100%	Going to December 2011 Board Meeting to Award TOD Grants
5	Administration (1.5%) Total	\$ 4.5	\$ 0.8	\$ 3.7	82%	
6	Debt Service					
7	Debt Service- Measure R	12.9	12.9	0.0	0%	On target.
8	Debt Service Total	\$ 12.9	\$ 12.9	\$ 0.0	0%	
9	Highway Capital (20%)					
10	High Desert Corridor	2.9	0.1	2.8	95%	Delays in 3rd party contract.
11	Hwy Operating Improvements Arroyo Verdugo	5.5	1.2	4.3	79%	Invoice delay from City of Glendale.
12	Hwy Operating Improvements Virgenes/Malibu	4.5	1.3	3.2	72%	Invoice delay from City of Agoura Hills.
13	I-405 I-110 I-105 SR91 Ramp & Interchange	1.8	0.0	1.7	99%	Invoice delay from South Bay Cities Council of Gov.
14	I-5 N Enhance SR14/Kern County	8.8	-	8.8	100%	No invoicing yet as Funding Agreements were just executed on 5/26/11.
15	I-605 Corridor "Hot Spot"	1.1	0.1	1.0	93%	
16	I-710 North Gap Closure	2.2	0.3	1.9	87%	Construction delays due to design delays.
17	I-710 South Early Action Projects	2.1	0.2	1.8	89%	
18	Phase II Alameda Corridor E Grade Separation	5.5	0.0	5.5	100%	Alameda Corridor involving eight grade separations is in various stages of development
19	SR-138 Capacity Enhance	0.0	-	0.0	100%	Delays in procuring the contract.
20	Countywide Soundwall Projects	8.2	2.0	6.2	75%	Construction delays due to designs delays for Cities of LA, Long Beach; Burbank; Santa Fe Springs/Irwindale; and Pasadena/Arcadia
21	Highway Capital (20%) Total	\$ 42.5	\$ 5.2	\$ 37.3	88%	
22	Local Return (15%)					
23	Measure R 15% Local Return	22.4	22.4	(0.0)	0%	
24	Local Return (15%) Total	\$ 22.4	\$ 22.4	\$ (0.0)	0%	On target.
25	Operations - Bus (20%)					
26	Measure R 20% FAP Subsidies	10.2	10.3	(0.0)	0%	
27	Metro Bus Share	22.2	22.3	(0.1)	0%	
28	Metro Orange Line	1.0	0.9	0.1	7%	
29	Operations - Bus (20%) Total	\$ 33.4	\$ 33.5	\$ (0.0)	0%	On target.
30	Operations - Rail (5%)					
31	Expo Line	0.3	0.3	(0.0)	0%	
32	Gold Line	2.4	2.4	0.0	0%	
33	Operations - Rail (5%) Total	\$ 2.6	\$ 2.6	\$ (0.0)	0%	On target.
34	Transit Capital - Metro Rail CP (2%)					
35	Eastside Quad Gate Study and Installation	0.5	0.1	0.4	87%	Elements in study are being considered for moving project forward.
36	Buena Vist Yards Project	0.1	0.0	0.1	89%	Invoice delay.
37	Eastern Maintenance Facility	1.5	10.1	(8.6)	-575%	Budget is in Feb 2012. Actual invoice came in earlier than budgeted.
38	Transit Capital - Metro Rail CP (2%) Total	\$ 2.1	\$ 10.2	\$ (8.1)	-388%	
39	Transit Capital - Metrolink (3%)					
40	Metrolink Transit Capital	6.7	0.0	6.6	100%	Did not utilize any of the Measure R capital funding, but will apply these funds towards positive train control in future.
41	Transit Capital - Metrolink (3%) Total	\$ 6.7	\$ 0.0	\$ 6.6	100%	
42	Transit Capital - New Rail (35%)					
43	Crenshaw/Lax Transit Corridor	6.6	5.0	1.7	25%	Final invoices pending FTA ROD approval
44	Expo Blvd LRT Construction Phase I - Expo	24.2	22.5	1.7	7%	Phase I projects are on schedule
45	Expo Blvd LRT Construction Phase I - Metro	3.6	4.9	(1.3)	-37%	
46	Expo Blvd LRT Construction Phase II - Expo	43.7	18.0	25.7	59%	Timing variances, pending real estate purchases and contract award.
47	Expo Blvd LRT Construction Phase II - Metro	22.8	4.5	18.3	80%	
48	Gold Line Foothill Extension	15.3	5.0	10.4	68%	Invoices amount received from Foothill CA less than anticipated due to delay in awarding the construction contract
49	Green Line Ext Redondo Beach-South Bay	0.3	0.5	(0.2)	-66%	Project moving faster than originally anticipated
50	Green Line Ext To LA Airport	0.6	0.3	0.3	56%	Project start-up later than anticipated expenses will hit next quarter
51	Metro Orange Line Extension	26.8	12.7	14.1	53%	Expenses less than estimated
52	Regional Connector	6.4	4.1	2.3	36%	Timing variance due to invoice submittals about 60 days in arrears.
53	SFV East N/S Rapid	0.2	0.4	(0.2)	-120%	Project moving faster than originally anticipated
54	Westside Subway Extension	11.6	9.1	2.5	22%	Underrun due to less than anticipated expenditures for 3rd Party Utility Agencies
55	Other Transit Capital Projects	2.0	1.2	0.8	41%	Misc 5 projects. Variance considered not significant.
56	Transit Capital - New Rail (35%) Total	\$ 184.0	\$ 87.9	\$ 76.0	46%	
57	Grand Total	\$ 291.0	\$ 175.5	\$ 115.5	40%	

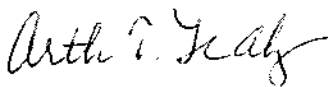
FY12 OUTLOOK

Metro should end the year on or about budget for revenue and expenses. Sales tax revenue although above budget still reflects lingering effects of the "great recession". Passenger fares are on budget through the first three months. First quarter expenses are below budget in Measure R, operating, capital, debt, and subsidy funds, but we expect that expenses will correspond more closely with budget towards midyear or by the 3rd quarter of FY12.

Prepared by: Office of Management & Budget



Paul Taylor
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