



Metro

Los Angeles County
Metropolitan Transportation Authority

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REVISED

**REGULAR BOARD MEETING
MAY 23, 2013**

SUBJECT: FISCAL YEAR 2014 (FY14) BUDGET

ACTION: ADOPT THE PROPOSED FY14 BUDGET

RECOMMENDATION

Recommendations A-F address FY14 Budget adoption, as included in the proposed budget document (provided as a separate transmittal) and amendments as detailed below. Recommendations G-H addresses the areas of Deferred Maintenance & Safety and Security. Recommendations I-M proposes adjustments to Non-Contract Salaries & the Compensation Policy.

- A. Adopt the proposed FY14 Budget as presented in the budget document.
- B. Approve the life-of-project (LOP) budget for all new capital projects, which includes 13 new projects with LOP budgets over \$5.0 million (Attachment A).
- C. Amend the proposed budget to add 38 non-contract and 6 contract full time equivalents (FTE's) and \$8.8 million for the additional wages and benefits. The FTE's are needed to enhance service, safety, community outreach, construct Measure R transit and highway projects and other high priority programs (Attachment B).
- D. Amend the proposed budget to increase FY14 expenses by \$87.0 million for Expo Light Rail Transit phases 1 and 2. This adjustment does not change overall LOP budget; it only impacts the annual cash flow and is consistent with the budget adopted on April 4th of 2013 by Expo Construction Authority. Gold line budget, as included in our proposed budget document, is also consistent with its respective authority's board adopted amount.
- E. Amend the proposed FY14 budget to include \$3.0 million for the Accelerated Regional Transportation Improvements Project (ARTI) I-5 North Capacity Enhancements, as approved by the Board on April 25, 2013
- F. Approve the Reimbursement Resolution declaring Metro intention to issue debt in FY14 for capital projects; issuance will require separate Board approval (Attachment C).

Deferred Maintenance & Safety and Security:

- G. Establish a Board Policy that states our capital assets will be maintained in accordance with manufacturer recommended standards and that the CEO will notify the Board of any instances of deferred maintenance not in accordance with this policy.
- H. Per Board Request, receive and file Safety and Security budget component in the FY14 Proposed Budget (Attachment D).

Non-Contract Salaries & Personnel Policies:

- I. Amend the proposed budget to include a 2% across-the-board salary increase for all Non-Contract employees (Attachment E).
- J. Amend the proposed budget to include an additional 3% salary increase for the Non-Contract employees hired prior to July 1, 2009 AND whose salaries have remained unchanged since then.
- K. Approve a 10% adjustment to the pay ranges of Non-Contract positions to partially mitigate the impact of previous years when pay range adjustments were not made. This adjustment factors in the expected changes in market pay levels for FY14.
- L. Amend the Position Authorization and Compensation Policy to grant the Chief Executive Officer authorization to approve Non-Contract salaries up to \$200,000.
- M. Authorize the Chief Executive Officer to negotiate a salary within the pay grade for the Executive Officer, Project Management position (BB: \$142,641-\$178,302-\$213,982).

ISSUE

State Law requires the adoption of an annual budget as it manages the revenues and expenses of the agency's projects and programs.

POLICY IMPLICATIONS

Copies of the proposed budget document were made available to the public on April 30, 2013, both electronically at www.metro.net and through the Records Management Center (RMC) at RMC@metro.net. Printed copies of the budget document were made available at the RMC on the Plaza level of the Gateway Building on the same day. The public hearing is scheduled for May 15, 2013. Advance public notification of this hearing was issued through advertisements posted in multiple news publications.

DISCUSSION

The FY14 Proposed Budget is balanced at \$4,891.1 million and focuses on the areas of system-wide safety and security, deferred maintenance, bus and rail service improvements and Measure R Transit & Highway Project Delivery. Gate latching on Metro's Subway will begin rollout in June and continue through the first quarter of FY14;

division inspections to enhance transit service and the Next Generation Training Program will continue development and implementation this coming fiscal year.

Approval of amendments C-F adds \$98.8 million to the proposed budget. Eligible sources of funding to cover these increases have been identified, so the budget will remain balanced.

Deferred Maintenance:

Keeping Metro's capital assets in a state of good repair is essential to the efficient and effective operation of bus and rail service. In order to accomplish this goal, Metro must establish a deferred maintenance policy to monitor performance and take corrective action in compliance with manufacturer recommended standards. Metro Operations will begin conducting inventories of our current transit assets to assess their age, condition and cost to establish a scope and timeline for policy implementation. As part of **Recommendation G**, once a policy is established, staff will report to the board regarding any deviations from this policy.

Safety & Security:

In addition to investing capital asset upgrades for system Safety and Security (\$36.7 million in FY14), on-going operations will focus on improving our passengers' safety/security experience, complying with regulatory safety rule and standard operating procedures and better utilizing transit security resources (**Recommendation H**). The combined \$165.2 million for Safety and Security is equivalent to 12.3% of the total expenses in Metro's Operating Budget. Attachment D illustrates these efforts as included in the proposed budget.

Non-Contract Salaries:

Recommendations I-M proposes a three-step salary adjustment for non-contract employees. Since FY10, contract employees with signed collective bargaining agreements have received cumulative wage increases totaling up to 8% via Signing Bonus, Quarterly Compensation Adjustments and/or other benefits/settlements; whereas non-contract employee salaries have remained static at 2008 levels.

Recommendation I suggests a 2% across-the-board increase for all 1,239 non-contract FTE's. The financial impact of this adjustment adds approximately \$2.3 million to the \$115.4 million already included in the budget document.

Recommendation J requests an additional 3% increase over the aforementioned 2% across-the-board increase for the non-contract employees hired prior to July 1, 2009 AND whose salaries have remained unchanged since then. For the 548 non-contract employees included in this group, approximately \$1.4 million is added to the proposed budget and is in alignment with the Board approved compensation policy.

Recommendation K requests a 10% adjustment to the pay ranges of all non-contract positions to address the previous years where no salary adjustments were made; the last pay range adjustment for non-contract positions occurred July 1, 2008. Approving this would keep non-contract pay ranges at about the 60th percentile in the competitive

market. The anticipated cost to ensure all non-contract employees will meet the minimum of their adjusted pay range totals \$695,000 and will affect approximately 228 employees.

Approval of Recommendations I-K adds \$4.4 million to the proposed budget.

Personnel Policies & Authorizations:

Recommendation L requests an amendment to the Position Authorization and Compensation Policy (May 2008) which authorizes the CEO to approve all salary offers less than \$175,000 and “to adjust the threshold annually by the average COLA awarded to non-represented employees.” Following the proposed amendment, the new authority of the CEO increases to \$200,000 (11%) and would provide Metro with more flexibility to pursue and retain skilled professionals for critical positions, such as specialized staff essential to delivering Measure R projects.

Recommendation M requests for CEO authorization to negotiate the salary of the Executive Officer, Project Management position in Transit Project Delivery (Within pay grade BB: \$142,641-\$178,302-\$213,982). This position is an integral part of the on-going success of Measure R projects and will act as Metro’s lead in enhancing current construction programs. The position needs to be filled with an individual whose salary reflects the level of responsibility and qualifications.

DETERMINATION OF SAFETY IMPACT

The proposed budget continues to make safety a primary goal and provides funding for new and ongoing safety programs throughout the agency.

ALTERNATIVES CONSIDERED

There is no alternative to adopting a budget, as state law requires that a budget be adopted.

FINANCIAL IMPACT

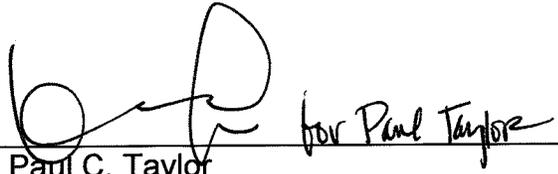
The FY14 Proposed Budget (including all recommendations) totals \$4,994.3 million in expenditures and appropriates the resources necessary to fund them. The FY14 Proposed Budget, as amended by this report, demonstrates our capacity to meet capital and operating obligations, a requirement necessary to receive subsidies from the state and federal governments.

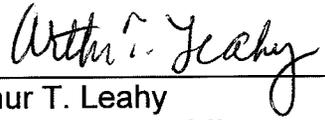
NEXT STEPS

Implement and monitor the FY14 budget, identify areas for improvement, develop a multi-year financial forecast and update the Board on the agency’s financial performance regularly.

- Attachments:**
- A. FY14 New Capital Projects with LOP of \$5 million or Greater
 - B. ~~FY14 FTE Request~~ **REVISED**
 - C. Reimbursement Resolution of LAMCTA for Fiscal Year 2014
 - D. Safety & Security Budget
 - E. ~~Non-Contract Salary Increase Survey~~ **REVISED**

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Chief Executive Officer

ATTACHMENT A

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FY14 New Capital Projects with LOP of \$5 Million or Greater

Proj: 202324	Title: Division 1 Improvements	LOP: 20,866,000
<p>Scope: The proposed Project is to improve, modernize, and expand the capacity of the maintenance and transportation functions at Division 1 (Central Division). The scope of the project entails renovation and upgrade activities typically required of facilities that are over twenty years old and functioning at operational levels beyond their initial designs, including, but not limited to, the capital improvements listed below.</p> <ul style="list-style-type: none"> • Expansion and renovation of the maintenance shop • Expansion and renovation of the transportation building • Reconstruction and modernization of the cleaning and fueling islands • Installation of new hoists and shop equipment • Improvement of the existing tire shop • Installation of new vacuum equipment • Improvements to bus washing equipment and addition of second wash system • Improvement of the steam cleaning bays • Addition of brake inspection bay • Improvements to accommodate articulated buses • Improvements and relocation related to vaulting and equipment and processes • Modernization/improvements to the parts storeroom, incl new parts carousel and vertical lift module • Relocation of all outside storage areas into new parts room • Improvements to the office and admin areas within the transportation & maintenance bldgs • Removal of underground storage tanks and replacement with above-ground equipment • Utility relocations, excavation, paving, and other civil work required to join the original site with the expansion site • New fencing, gates, and security systems 		
Proj: 202326	Title: BRT Freeway Station Sound Enclosure	LOP: 5,838,000
<p>Scope: Construction of sound walls or partial enclosures at four Silver Line stations that operate within a freeway environment. Staff will select the stations based on the combined factors of noise measurement and ridership.</p>		
Proj: 204083	Title: LRT Freeway Stations Sound Enclosures	LOP: 8,609,000
<p>Scope: Construction of sound walls or partial enclosures at six light rail train (LRT) stations that operate within a freeway environment (such as along the Green Line or Gold Line). Staff will select the stations based on the combined factors of noise measurement and ridership.</p>		
Proj: 205057	Title: Wayside Intrusion Detection System	LOP: 9,700,000
<p>Scope: Replace the existing Green Line Wayside Intrusion Detection System (WIDS) and extend the same system onto the Gold Line.</p>		

ATTACHMENT A

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FY14 New Capital Projects with LOP of \$5 Million or Greater

Proj: 205088	Title: Long Beach Duct Bank Upgrade Phase II	LOP: 8,000,000
Scope: Refurbish or reconstruct the duct bank between L.A. River Bridge and Wardlow Station along Blue Line, excluding the segment between Vault# 144 and #150.		
Proj: 207133	Title: UFS Security - PCI Compliance	LOP: 19,500,000
Scope: This project will: A) Upgrade Metro's ticket vending machine infrastructure to PCI compliance for credit/debit card processing; B) Upgrade 2,400 bus and rail reader infrastructure to allow for larger number of customer product loads; C) Upgrade farebox infrastructure to strengthen wireless security and make bus wireless farebox networks PCI compliant.		
Proj: 207134	Title: UFS Data Warehousing	LOP: 6,042,000
Scope: This project integrates the Universal Fare System (UFS) into Metro's data warehouse solution. It will enable the split transaction processing and reporting away from the primary UFS system.		
Proj: 210134	Title: Ticket Vending Machine Installations	LOP: 6,736,000
Scope: To procure and install additional ticket vending machines at key rail stations with potential for ridership increase.		
Proj: 210136	Title: Union Station Reroofing	LOP: 7,080,000
Scope: Reroof all buildings and breezeways of Union Station. The tile roofs are original and the underlayment has deteriorated and needs to be replaced.		
Proj: 210137	Title: Bus Plaza Paver Retrofit	LOP: 9,093,000
Scope: Repair and renovate the existing Patsaouras Bus Plaza paver system. Work to includes removal of the blacktop patches, repair holes and depressions and install new system to function as a permanent solution. Pavers are constantly moving and over time create an unsafe and unstable roadway for the buses and pedestrians.		
Proj: 210138	Title: Union Station Main Terminal HVAC	LOP: 5,376,000
Scope: Provide heating ventilation and air conditioning to Union Station areas.		

ATTACHMENT A

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FY14 New Capital Projects with LOP of \$5 Million or Greater

Proj: 210139	Title: Union Station Renovation/Upgrade	LOP: 17,311,000
Scope: Major capital improvements to Union Station and East Portal areas include: wayfinding signage; East Portal lighting; additional/repair/upgrade restrooms; safety and security upgrades, landscape improvements; Fred Harvey area restoration; passenger tunnel repairs; repaint station, green energy projects, and technology improvements.		
Proj: 210140	Title: TAP Mobile Validators (on Bus)	LOP: 5,000,000
Scope: To develop, procure, and install mobile validators for new fleets joining the TAP program. The equipment will remain as Metro assets.		

FY14 FTE Request

	Department	FY13 Budget FTE	NC in FY13	Proposed Addition			FY14 Proposed FTE	Justification
				NC FTE	Contract Addition	Total		
1	Administrative Services	534	258	3	-	3	537	Procurement: 1 for heavy rail vehicle, 2 for I-405 and highway program
2	Board Of Directors	37	37	-	-	-	37	
3	Chief Executive Office	279	174	8	-	8	285	Safety: 4 to conduct accident investigations OMB: 2 working on division inspection program; fare restructure and new budget system
4	Communications	211	84	4	6	10	221	1 NC for Blue Line safety outreach 3 NC to support Measure R transit and highway projects 6 TCU for Customer Information Support to reduce customer complaints wait time for Pass Sales, Lost and Found and Walk-in Inquiries
5	Countywide Planning	101	101	-	-	-	101	
6	Economic Development	24	24	2	-	2	26	Real Estate 1 for transit project property purchase & 1 for public private partnerships
7	Financial Services	180	115	-	-	-	180	
8	Highway Project Delivery	29	29	3	-	3	32	1 for ARTI; 1 for Signal Synchronization and 1 for SR-710 project management
9	Management Audit Services	21	21	-	-	-	21	
10	Operations	7,490	269	-	81	81	7,571	
11	Transit Project Delivery	128	127	20	-	20	148	See attached page 2
12	Total	9,034	1,239	38	87	125	9,159	

* Included in Proposed Budget

FY14 Transit Project Delivery FTE Request

	Title	FY14 FTEs	Justification
1	Sr. Administrative Analyst	1	Oversee Crenshaw project management office
2	Sr. Construction Manager	1	Oversee Regional Connector activities
3	Sr. Engineering Manager	1	Oversee Westside Subway project
4	Engineering Associate	1	Replaces ELTP preparing plans, specifications and estimates for Regional Connector
5	Sr. Construction Inspector	1	Performs quality control for Regional Connector
6	Project Control Manager QUALITY ASSURANCE MANAGER	1	Performs quality control for Crenshaw and Southwest Yard
7	Supervising Structural Engineer	1	Design review for major projects, soundwalls and North Hollywood West entrance
8	Supervising Civil Engineer	1	Design review for major transit and highway projects
9	Sr. Trackwork Engineer	1	Design review for major rail projects
10	Sr. Tunnel Engineer	1	Design review for Subway, Regional Connector and Crenshaw projects
11	Sr. Architect	1	Supervise CADD drawings for capital projects
12	Sr. Drafting Technician	1	Provide CADD support
13	Sr. Engineer OCS	1	Supervise Overhead Contact System design, construction and testing
14	Project Manager	1	Supervise vertical system construction projects
15	Supervising Engineer	1	Manage bus facilities capital projects
16	Sr. Construction Inspector	1	Inspect and manage Blue and Red line station upgrades
17	Principal Environmental Specialist	2	Replaces ELTP supporting environmental sustainability policy
18	Specialist		
19	Supervising 3rd Party Administrator	1	Coordinate 3rd party activities regarding Regional Connector and Subway
20	3rd Party Administrator	1	Assist Supervising 3rd Party Administrator
21	Total	20	

REIMBURSEMENT RESOLUTION
OF THE
LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
FOR FISCAL YEAR 2014

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the "Metro") desires and intends to finance certain costs relating to (i) the design, engineering, construction, equipage and acquisition of light rail lines including the Exposition Line Phase I or Phase II Project, the Crenshaw/LAX Transit Corridor Project and Gold Line Foothill Extension Project (ii) the design, engineering, construction, equipage and acquisitions for the Southwestern Yard (iii) the design, engineering, construction, equipage and acquisitions for the Rail Deferred Maintenance Project (iv) the design, engineering, construction, equipage and acquisitions for the HOV Lanes and Alameda Corridor East (v) the design, engineering, construction, equipage and acquisition of various segments of the Metro Red Line and Purple Line subways (vi) the design, engineering and construction of certain highway, busway and/or related projects (vii) the engineering, construction and/or acquisition of various capital facilities and equipment, including buses and rail cars, related to service operation and (viii) to other transit related projects (each a "Project" and collectively, the "Projects");

WHEREAS, to the extent that federal and/or state grant funding budgeted to be received during FY14 is delayed or reduced, the Los Angeles County Metropolitan Transportation Authority desires and intends to finance certain costs relating to the Projects.

WHEREAS, Metro expects to issue debt through the issuance of tax-exempt bond issues to pay for these expenditures, which bond issues will have three separate security sources, Proposition A, Proposition C and Measure R sales tax revenues, respectively, or grant revenues to finance the costs of the Project on a permanent basis (the "Debt");

WHEREAS, Metro expects to expend moneys of the Enterprise Fund (other than moneys derived from the issuance of bonds) on expenditures relating to the costs of the Projects prior to the issuance of the Debt, which expenditures will be properly chargeable to a capital account under general federal income tax principles;

WHEREAS, Metro reasonably expects to reimburse certain of such capital expenditures with the proceeds of the Debt;

WHEREAS, Metro expects that the amount of Debt that will be issued to pay for the costs of the Projects) will not exceed \$50 million for Proposition A, \$185 million for Proposition C, and \$280 million for Measure R;

WHEREAS, at the time of each reimbursement, Metro will evidence the reimbursement in writing, which identifies the allocation of the proceeds of the Debt to Metro, for the purpose of reimbursing Metro for the capital expenditures made prior to the issuance of the Debt;

WHEREAS, Metro expects to make reimbursement allocations no later than eighteen (18) months after the later of (i) the date on which the earliest original expenditure for the

Attachment C

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Project is paid or (ii) the date on which the Project is placed in service (or abandoned), but in no event later than three (3) years after the date on which the earliest original expenditure for the Project is paid;

WHEREAS, Metro will not, within one (1) year of the reimbursement allocation, use the proceeds of the Debt received by way of a reimbursement allocation in a manner that will result in the creation of replacement proceeds of the Debt or another issue (e.g., Metro will not pledge or use the proceeds received as reimbursement for the payment of debt service on the Debt or another issue, except that the proceeds of the Debt can be deposited in a bona fide debt service fund); and

WHEREAS, this Resolution is intended to be a " declaration of official intent" in accordance with Section 1.150-2 of the Treasury Regulations.

NOW THEREFORE, BE IT RESOLVED, that (i) all of the foregoing recitals are true and correct and (ii) in accordance with Section 1.150-2 of the Treasury Regulations, Metro declares its intention to issue Debt in an amount not to exceed \$50 million for Proposition A, \$185 million for Proposition C, and \$280 million for Measure R; the proceeds of which will be used to pay for the costs of the Projects, including the reimbursement to Metro for certain capital expenditures relating to the Projects made prior to the issuance of the Debt.

Safety & Security Budget	FY14 Proposed
Capital Investment for Safety and Security Measure:	36,722,861
Deferred Maintenance with Passenger Safety Focus	
Escalator and Elevator	5,132,796
Station Refurbishment	1,507,246
Fire, Hazardous Material and Gas Control	1,009,720
Corrosion Prevention	495,408
Grade/Pedestrian Crossing Studies (Eastside Quadgate & Flower Street/Life/Fire/Safe)	2,524,762
Subtotal Deferred Maintenance with Passenger Safety Focus	10,669,931
On-going Safety and Security Operating Expenditures:	
Passenger/Patron Safety in rail Stations and parking Lots	1,168,450
Passenger Education	
Safety Ambassadors Program	1,150,052
Passenger Education Materials Design	2,160,759
Subtotal On-going Safety and Security Operating Expenditures:	4,479,261
Regulatory Enforcement & Safety Operations	
Photo Enforcement Camera	3,100,000
Safety, Security Environmental Permit	258,000
Construction Safety Adherence	1,391,118
Safety Inspection & Practice	5,741,625
Subtotal Regulatory Enforcement & Safety Operations	10,490,743
Employee Safety Procedures	
Training & Regulation Manuals, Hazardous Prevention kit	580,454
Drug and Alcohol Testing	621,738
Subtotal Employee Safety Procedures	1,202,192
Transit Security	
Emergency Preparedness	620,710
LASD	79,641,018
Private Security	7,029,198
Transit Security, Homeland security & Grant Management	14,317,843
Subtotal Transit Security	101,608,769
Grand Total	165,173,756

Non-Contract Salary Increase Survey FY10 - FY13 and Projected FY14

Agency	FY2010	FY2011	FY2012	FY2013	FY2014
LACMTA	No increase	No increase	No increase	No increase	Proposed - 2.0%; additional 3.0% for those employed prior to July 1, 2009 who have not gotten any salary increase since July 1, 2009
Alameda (AC Transit)	No increase	(3.0%) Decrease	No increases; however, step increases restored after a 2 year freeze.	3.00% increase to reverse FY11 reduction	AFSCME & ATU to negotiate in FY14. Non Contract likely to match AFSCME for FY14. 5% will be restored back to AFSCME members pay after '11 contract expires. Non-contract employees will also likely get back 5%
DART	No increase	No increase	3.00%	3.00%	Increases will be implemented - 3.0%
EXPO	No increase	No increase	3.00%	No Increase	On Apr 4, 2013, Expo Board adopts salary increase of 6.0%
Foothill Light Rail Authority	No increase	No increase	3.30% (COLA) + 0.0%-1.70% (Merit)	No Increase	CEO granted authority to provide salary increases up to 10.0% — The amount includes a pro-rata 10% combined allowance for potential Cost-of-Living adjustment (COLA) and merit increases. The actual COLA will be set by future Board action and has historically been based on the June consumer price index
MetroLink	No increase	No increase	No increase	No increase	Unsure about increase - will attempt a 3.0% in FY14.
OCTA	No increase	No increases	No increases	2.00%	Increases will be implemented, 3.0% - 4.0% merit pool.
San Diego Transit	No increase	2.00%	2.50%	No increase	Plans between a 2.5%-4.5% merit pool.
BART	No increase	No increase	No increase	No planned increases. As of 11/05/12 - awaiting confirmation	In the midst of labor negotiations. No increases determined yet.
Santa Clara (VTA)	No increase	No increase	3.00% increase	No increase	Currently negotiating with bargaining groups. Analyst forecasts a 2 or 3% increase.
LA City	No increase	No increase	3.00% increase	5.50% increase (2.5% eff 07/01/12 ; 3% eff 01/01/13)	1.5% salary increase effective July 1st
LA County	No increase	No increase	No increase	No increase	Considering 2% - 4% increase