

**Metro**Los Angeles County  
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metro.net**FINANCE, BUDGET & AUDIT COMMITTEE  
APRIL 15, 2015****SUBJECT: FISCAL YEAR 2016 (FY16) BUDGET STATUS UPDATE****ACTION: RECEIVE AND FILE****RECOMMENDATION**

Receive and file a report on Metro's FY16 Budget Development Status.

**ISSUE**

This is the monthly status report for the FY16 Budget. This report includes a high level summary of the agency budget shown in two ways: (a) by department for both direct and support functions, and (b) by type of expenditures. In addition, the report outlines Full-Time Equivalent (FTE) position requests by departments which have been reviewed by Board Staff. FTEs for the remaining departments will be reviewed in the next Board Staff session in April 2015.

**DISCUSSION**

The FY16 Budget includes an increase in total agency expenditures of \$53.4 million, or only one percent, from \$5.515 billion in FY15 to \$5.568 billion in FY16 (Attachment A). This increase includes the planned opening of both the Gold Line Foothill 2A and Expo Line Phase 2 extensions. Furthermore, FY16 includes the conclusion of construction on these two rail line extensions and the commencement of heavy construction activities along the new Crenshaw/LAX line. This small year-over-year increase demonstrates the agency's commitment to tighten budget controls and continued fiscal discipline in the allocation of limited resources.

**Direct and Support Department Functions**

Metro department functions can be divided between Direct – Congestion Reduction, Engineering and Construction, Operations, and Planning – and Support – Board of Directors, Chief Executive Office, Communications, Finance and Budget, Information Technology, and Vendor/Contract Management.

As shown in Attachment A, total Direct department functions in FY16 are estimated to increase by \$21.1 million in FY16, or 0.5 percent, primarily due to the completion of construction of the Gold Line Foothill 2A and Expo Line Phase 2 extensions, which are expected to begin revenue operations by the fourth quarter of FY16. Additionally, direct department functions are projected to incur increased costs due to engineering and construction activities on the Crenshaw/LAX, Regional Connector, and Purple Line, light and heavy rail vehicle procurement, and the start of revenue operations on the new rail line extensions.

Total Support department functions in FY16 are estimated to increase by \$32.3 million in FY16, or 2.1 percent, primarily due to increases in ACCESS paratransit services, IT licenses, litigation expenses, and transit construction outreach, as well as the temporary overlap due to timing difference between hiring FTEs to reduce consultant contracts for procurement activities for transit construction projects (Attachment B).

#### Spending by Expenditure Account

The FY16 Budget is increasing primarily due to increases in salary and benefit and regional transit and highway expenditure accounts (Attachment B). The salary and benefit projected 8.3% increase is the result of (a) new positions added in FY15, including the 319 FTEs for the Gold Line Foothill 2A and Expo Line Phase 2 extensions and (b) labor agreement salary and benefits increases. Offsetting these increases is a 8.8% reduction in asset acquisition for transit and highway projects, which is the result of the conclusion of construction activities on the new rail line extensions.

#### FTE Request to Date

As shown in Attachment C, the FY16 Budget FTE request to date proposes to add an additional 31 FTEs in (a) the Office of the Inspector General (3 FTEs), (b) Congestion Reduction (3 FTEs), (c) Engineering & Construction (15 FTEs), (d) Information Technology (3 FTEs), (e) EEO (1 FTE), (f) Enterprise Risk & Safety Management (4 FTEs), and (g) Labor/Employee Relations (2 FTEs). Of these 31 FTEs, 24 will work directly on Measure R-funded highway and transit projects, 3 in Congestion Reduction will be funded through ExpressLane revenues and SAFE, 3 in ITS will be assigned to increased servers for digital data processing and improved electronic and digital security, and 1 in EEO will provide federally-required support of new programs and staff support.

While the FY15 Budget included a total of 9,281 FTEs, another 57 FTEs were added through board actions throughout the fiscal year, and the additional 319 FTEs were added for the Gold Line Foothill 2A and Expo Line Phase 2 extensions. Therefore, the FY16 request at this time is 9,657 FTEs.

#### **NEXT STEPS**

We will continue to update the Board and Board staff in the coming weeks. In addition, we will be conducting the first Budget Public Forum, which will be held on Saturday, April 25, 2015. The forum will be an informal information session and discussion to review the budget process, highlight budget themes and give the public an opportunity to provide

their input and comments on the FY16 Budget. In preparation for this forum, a marketing campaign is underway to encourage public participation. The campaign includes take-ones throughout the system (Metro Insider, Ticker in East Portal and messages on hold), online information (website, The Source/El Pasajero, Facebook, Twitter, podcasts) and advertisements in community publications.

The public is also being encouraged to provide their comments and input through the online tools mentioned above and via email at [budgetcomments@metro.net](mailto:budgetcomments@metro.net).

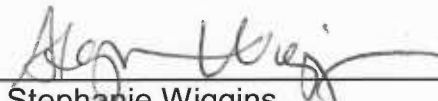
In May 2015, a public hearing will be held to receive public comments and the FY16 Proposed Budget will be presented to the Board for formal adoption.

### **ATTACHMENTS**

- A. FY16 Budget Summary
- B. FY16 Budget by Expenditure Account
- C. FY16 FTE Request to Date

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ATTACHMENT A

FY16 BUDGET SUMMARY

(\$ in millions)

	FY16 Budget	FY15 Budget	Increase/ (Decrease)	Pct Change	Remarks
<b>Direct Services</b>					
1 CONGESTION REDUCTION	\$ 103.8	\$ 86.5	\$ 17.4	20.1%	Board Approved 2-year Plan
2 ENGINEERING AND CONSTRUCTION	1,843.2	2,005.5	(162.3)	-8.1%	Conclusion of Goldline Foothill 2A, Expo Line Phase 2, and Division 13 construction
3 OPERATIONS	1,727.4	1,565.2	162.2	10.4%	\$117 M for Light and Heavy Rail car procurement; plus addition for running two new rail ext
4 PLANNING AND DEVELOPMENT	298.8	295.0	3.8	1.3%	Increase in ParkNRide, Bike and Measure R-funded studies
5 <b>Direct Services Subtotal</b>	<b>3,973.2</b>	<b>3,952.2</b>	<b>21.1</b>	<b>0.5%</b>	
<b>Support Services</b>					
6 FINANCE AND BUDGET	1,072.3	1,090.3	(18.0)	-1.6%	Savings from debt refinancing and federally-approved benefit carryovers
7 BOARD OF DIRECTORS	42.6	29.5	13.1	44.4%	County Counsel litigation
8 CHIEF EXECUTIVE OFFICE	297.3	280.2	17.1	6.1%	\$12 M inc for ACCESS Services Inc., \$4.8 in GS to absorb Union Station maintenance in-house
9 COMMUNICATIONS	56.6	50.3	6.3	12.5%	Transit construction outreach; Continuation of FY15 Operating Budget
10 INFORMATION TECHNOLOGY	54.1	49.9	4.2	8.4%	Increased Licensing payment for Microsoft and Oracle servers and business applications
11 VENDOR/CONTRACT MANAGEMENT	72.3	62.7	9.6	15.3%	Absorption of procurement outsourcing contract for transit construction projects
12 <b>Support Services Subtotal</b>	<b>1,595.2</b>	<b>1,562.9</b>	<b>32.3</b>	<b>2.1%</b>	
13 <b>Grand Total</b>	<b>\$ 5,568.4</b>	<b>\$ 5,514.9</b>	<b>\$ 53.4</b>	<b>1.0%</b>	
14 <b>Support Services Percent of Total Budget</b>	<b>28.6%</b>	<b>28.3%</b>			



ATTACHMENT B

FY16 BUDGET BY EXPENDITURE ACCOUNT

(\$ in millions)

Expenditure Account	FY16	FY15	Increase/ (Decrease)	Pct Change
	Budget	Budget		
1 Salary and Benefit	\$ 1,091.5	\$ 1,009.1	\$ 82.4	8.2%
2 Asset Acquisitions for Transit & Highway Projects	1,610.2	1,765.5	(155.3)	-8.8%
3 Subsidies for Regional Transit and Highway	1,378.3	1,288.0	90.3	7.0%
4 Professional Services	438.3	422.9	15.4	3.6%
5 Contract for Maintenance, Security and Purchased Transp.	337.5	316.2	21.3	6.7%
6 Fuel, Materials and Supplies	231.2	223.0	8.2	3.7%
7 Insurance/Taxes/PL/PD/Workers' Comp	111.5	106.7	4.8	4.5%
8 Training, Travel and Construction Notices and Office Set up	21.8	30.8	(9.0)	-29.2%
9 As Needed/ Intern/ ELTP	13.2	12.5	0.7	5.6%
10 Debt	334.8	340.1	(5.3)	-1.6%
11 <b>Agency Total</b>	<b>\$ 5,568.4</b>	<b>\$ 5,514.9</b>	<b>\$ 53.4</b>	<b>1.0%</b>

ATTACHMENT C

FY16 FTE REQUEST TO DATE

1	Department	FY15 Budget	Board Actions	FY15 Active	Gold Line/ Expo Sys Integration	FY16 Base	FY16		Comments
							Addition*	FY16 Total	
1	<b>Non-Contract</b>								
2	Board of Directors	36	-	36		36	3	39	
3	Congestion Reduction	15	-	15		15	3	18	OIG- Construction Oversight 1 for RITTS, 1 for Toll Lane Master Plan & Management
4	<b>Engineering &amp; Construction</b>								
5	Highway Project Delivery	24	-	24		24	4	28	1605, 15
6	Regional Rail	7	-	7		7	1	8	SCRIP
7	Transit Project Delivery	144	-	144		144	10	154	Transit Construction
8	<b>Engineering &amp; Construction Total</b>	<b>175</b>	-	<b>175</b>	<b>0</b>	<b>175</b>	<b>15</b>	<b>190</b>	
9	<b>Information Technology</b>	87	-	87	1	88	3	91	Payroll, PCI, Increase Server Maintenance
10	<b>Chief Executive Office</b>								
11	Chief Executive Office	38	1	39		39	1	40	EEO
12	Chief Policy Office	5	-	5		5	0	5	
13	Enterprise Risk & Safety Mgmt	83	-	83	3	86	4	90	Construction Safety Inspection
14	Labor/Employee Relations	70	1	71	2	73	2	75	HR Increased Recruitment Volume
15	LA Metro Protective Svcs	5	3	8		8	0	8	
16	Program Management	38	-	38		38	TBD	N/A	
17	<b>Chief Executive Office Total</b>	<b>239</b>	<b>5</b>	<b>244</b>	<b>5</b>	<b>249</b>	<b>7</b>	<b>N/A</b>	
18	<b>Communications</b>	94	-	94	1	95	TBD	N/A	
19	<b>Finance &amp; Budget</b>	138	-	138	4	142	TBD	N/A	
20	<b>Operations</b>	275	-	275	10	285	TBD	N/A	
21	<b>Planning &amp; Development</b>	152	6	158		158	TBD	N/A	
22	<b>Vendor/Contract Mgmt</b>	135	20	155	6	161	TBD	N/A	
23	<b>Non-Contract Subtotal</b>	<b>1,346</b>	<b>31</b>	<b>1,377</b>	<b>27</b>	<b>1,404</b>	<b>31</b>	<b>N/A</b>	
24	<b>Contract Total</b>	<b>7,935</b>	<b>26</b>	<b>7,961</b>	<b>292</b>	<b>8,253</b>	<b>0</b>	<b>8,253</b>	
25	<b>Agency Total</b>	<b>9,281</b>	<b>57</b>	<b>9,338</b>	<b>319</b>	<b>9,657</b>	<b>31</b>	<b>N/A</b>	

\*TBD to be discussed in next Board Staff Briefing