

## Summary of Policy

The purpose of the Annual Budget is to condense the vision and strategies outlined in the Board approved long range and short-range transportation plans into a specific implementation plan for a fiscal year. The Annual Budget coordinates resources and expenditures and provides legal authority to obligate and spend funds. It also includes both operating and capital components.

The operating budget provides a summary of the planned revenues and expenditures for the fiscal year for services and programs, including all revenue and expense assumptions and projections and revenue service hours and miles of bus and rail service.

The operating budget includes Metro Bus and Metro Rail operations, Freeway Service Patrol, planning activities and projects, property management activities, debt service, agency administration, and contingencies. The operating budget is comprised of the Enterprise, General, Special Revenue, Internal Service and Debt Funds.

The capital budget process has been integrated into the Annual Budget process. The capital budget includes all of the construction or acquisition costs of assets that will be owned by the organization, including major fixed guideway infrastructure projects such as busways and rail lines. Bus assets, including vehicle acquisition, bus equipment, and bus facilities construction and other system-wide assets like information technology enhancements, are also included in the capital budget.

When the Board approves a capital project, it authorizes the schedule and total expenditures over the life of the project. The Annual Budget authorizes the anticipated project expenditures and the

scope of work to be completed within the current fiscal year. Each year, the project's scope and anticipated expenditures are approved in the Annual Budget.

The budget includes regional programs, projects and programs operated or built by other governmental or non-profit sponsors. Funding is provided through grants of the organization's revenues local funds to local agencies and transit operators throughout Los Angeles County.

The budget does not include funds that are allocated to other governmental agencies in accordance with legislative requirements, Board policy, or through the Call for Projects when the project sponsor receives the grants directly from the State or federal government. The Board approves the projects recommended for funding through the Annual Budget and the Call for Projects. Only those Call Projects receiving grants of the organization's local funds are included in the budget.

Regional programs included in the Special Revenue Fund include capital and operating allocations to municipal bus operators, direct disbursements to Los Angeles County municipalities for transportation programs, and services for the disabled persons provided by Access Services, Inc.

The Fiscal Year 2009 Adopted Budget includes these provisions and assumptions:

- Continue to increase the fleet of high capacity buses.
- Continue implementation of Metro Connections program to improve service between major activity centers.

- Continue natural gas hedging program to substantially reduce risk of price fluctuations.
- Complete the Consent Decree “New Service Plan” as it relates to Metro Operated Rapid Bus Service with the implementation of six new Rapid Bus lines:
  1. Atlantic Boulevard
  2. San Fernando Road / Lankershim Boulevard
  3. San Fernando Road South
  4. Pico Boulevard
  5. Manchester Boulevard
  6. Central Avenue
- Attain New Service Plan “peak seat” requirements.
- Increase rail service by 13,114 revenue vehicle service hours primarily due to additional service on the Metro Gold Line. Both the frequency of the trains and the number of cars per train will increase during high demand periods.
- Continue implementation of Universal Fare System (UFS) allowing seamless countywide travel using smartcard technology.
- Continue to improve Homeland Security activities.
- Maintain cash, pass and token prices at the July 2007 level resulting in a fare per boarding of \$0.66 (excluding the Metrolink reimbursement).
- Fully implement “Smart Drive” (incident based surveillance system) on buses system-wide to reduce accidents, improve safety, and enhance operator training.
- Implement the MATIS information system, a comprehensive motorist aid system that will establish a regional 511 traveler information system for Los Angeles County.
- Expand the Big Rig Towing Service, previously introduced to the I-710 Freeway to include the I-91 Freeway.
- Continue participation in the “bridge” training program to improve operator hiring potential.
- Begin pre-revenue activation activities for the implementation of the Metro Gold Line Eastside Extension, including testing trains, hiring personnel, and community outreach.
- Continue construction of the Gold Line Eastside Extension with the expected completion date at the end of FY09.
- Continue construction of the Expo Light Rail Line.
- Begin a major bus mid-life overhaul program rebuilding 188 buses and installing new engines in an additional 200 buses.
- Acquire equipment for a regional clearinghouse service center will continue. This clearinghouse will process all fare transactions and properly distribute the revenues to Metro and its municipal partners.
- Continue installing fare gates at various rail stations.

- Renovate various bus operating division facilities.
- Replace two CNG fueling stations.
- Procure new Expo/Blue Line light rail vehicles.
- Overhaul heavy rail subway cars.
- Sales tax revenues programmed to be spent are \$2.184 billion in total.
- Salaries will increase according to union contracts for represented employees and at 4% for non-represented employees

## Historical Perspective

When the California State Legislature passed the Los Angeles County Metropolitan Transportation Reform Act of 1992, it reserved to the agency the responsibility for adopting an aggregate budget for its organizational units.

In 2002, the Board adopted its Financial Standards Policy to formally articulate its long-standing financial practices. Included in that document was a provision requiring the Annual Budget to include operating and capital budgets, regional funding and other components necessary to implement the policy directions contained in previously adopted transportation plans. The Financial Standards also requires the budget to be adopted before July 1<sup>st</sup>, a practice that had been previously in place.

For accounting and budgeting purposes, the agency is considered a single, integral entity. Annual budgets are adopted using Generally Accepted Accounting Principles (GAAP) for all governmental and proprietary funds, except depreciation and amortization, which are not budgeted.

Funds—special accounts that are created for specific purposes—are classified into three categories: proprietary, governmental and fiduciary. Budgets are adopted for each fund within groups: The proprietary category includes Enterprise and Internal Service; governmental includes General, Special Revenue, Capital Projects and Debt Service Funds. Fiduciary funds are not included in the Annual Budget.

The proprietary funds use the accrual basis of accounting, which means that revenue is recognized when it is earned. All governmental funds, except the Special Revenue fund, are accounted for using the modified accrual basis of accounting, meaning that revenue is recognized when it both measurable and available. Special Revenue fund proceeds are budgeted as the “flow of funds” basis, which is very similar to cash basis.

The agency uses Special Revenue funds to account for those funds that are restricted by purpose and use. The Special Revenue fund reflects the organization’s responsibility to administer special transportation programs as well as its duty to allocate transportation funds to local and regional agencies in Los Angeles County. Special Revenue funds are recorded on a cash-flow basis.

In addition, the agency is responsible for acting as a trustee for certain funds that are held by the organization as an agent for individuals, private organizations or other funds. The agency uses fiduciary funds to account for these assets, which includes pension trust funds and restricted agency funds.

The Annual Budget is developed using a combination of two budget methodologies. Continuation level budgeting is used to develop the funding and resources necessary to sustain critical

operating, special programs and previously approved capital projects. The agency uses the zero-based budgeting methodology to determine the resources for new programs and capital projects as well as general and administrative expenses.

Starting in FY05, administrative departments began charging their users directly wherever possible. Where not possible, they charge one (or more) of six dedicated cost pools according to the activity being benefited. Thus, the only costs that are still charged to the original agency-wide cost pool will be items such as rent, utilities, and insurance costs.

The six cost pools are dedicated to the following activities:

- Bus Administration
- Rail Administration
- Subsidy and Call Project Administration
- General Planning Administration
- Capital Program Administration
- Major Construction Program Administration

Each pool will allocate its costs only to related activities. The original agency-wide cost pool will allocate its costs globally, as before.

## Last Board Action

May 22, 2008 – Fiscal Year 2009 Budget

The Board approved and adopted:

- A. the Fiscal Year 2009 Budget which also includes a \$6 million reserve for safety and security-related emergencies;

- B. the life-of-project budgets for all new capital projects;
- C. the total budgeted salaries and benefits for each union/noncontract group as required by the Position Authorization and Compensation policy;
- D. the non-represented employee salary schedule adjusted for the annual inflationary increase as required by the Position Authorization and Compensation policy;
- E. the safety and security budget as required by the Financial Stability Policy adopted by the Board in January 2008;
- F. amending the proposed budget to add 256,000 revenue service hours to Metro Bus Operations funded with \$20.5 million of CNG Fuel Credits;
- G. amending the proposed budget to add \$100,000 to the Safety and Security department funded by a Homeland Security grant to provide regional transit security awareness training;
- H. amending the proposed budget to add 1 FTE to Construction and 1 FTE to Countywide Planning and \$250,000 for sustainability activities funded with General Fund revenues;
- I. amending the proposed budget to add 1 FTE to Construction to manage the 1-405 Sepulveda Pass Widening Project (H OV) funded with revenues received from State and Federal Grants;
- J. amending the proposed budget to add 1 FTE to Communications and \$500,000 to the Eastside Extension Enhancements Project for the Safety

Education and Outreach program, increasing the life-of-project budget by \$617,000 from \$42,000,000 to \$42,617,000 and funding the additional expense with STA Population share - Rail funds;

- K. amending the Position Authorization and Compensation Policy authorizing the Chief Executive Officer to approve all non-contract salaries up to \$175,000 for new hires, reclassifications, salary equities and adjustments and the creation of new non-contract classifications; and to adjust this threshold annually by the average COLA awarded non-represented employees.

## Available Online

[http://www.metro.net/about\\_us/finance/images/budget\\_adopted\\_fy09.pdf](http://www.metro.net/about_us/finance/images/budget_adopted_fy09.pdf)

## See Related

[Long Range Transportation Plan](#)

[Position Authorization & Compensation](#)

[Regional Transit Plan](#)

[Short Range Transportation Plan](#)