

MINUTES

**Special Board Meeting
Board of Directors
(BUDGET WORKSHOP)**

**One Gateway Plaza
3rd Floor Board Room**

Called to Order at 1:52 p.m.

Directors Present:

Pam O'Connor, Chair
Michael Antonovich
Yvonne B. Burke
John Fasana
Gloria Molina
Zev Yaroslavsky

Officers

Roger Snoble, Chief Executive Officer
Michele Jackson, Board Secretary
Karen Gorman, Ethics Officer
Karen Gorman, Acting Inspector
General
County Counsel, General Counsel



Metro

Los Angeles County
Metropolitan Transportation Authority

NOTE: Members voting are reflected on the attached "RECAP OF PROCEEDINGS" matrix.

1. RECEIVED the **Fiscal Year 2009 proposed budget** for review and consideration.

Mr. Snoble stated that the agency is coming close to its goal of eliminating the structural deficit. The capital program is not as robust as staff would like, but it is a feasible plan. At the end of the state legislative session last year, legislation was passed to change the STA formula in a way that will be very beneficial to Metro. Staff is projecting that an estimated \$20 million in budgeted funds will remain unspent for the rest of current fiscal year. There are not a great deal of new projects being added to the FY09 budget. Notable new projects in the FY09 budget include the DriveCam system, new ridership program and gating project. The FY09 budget is balanced. Staff is proposing to use some fuel credits to balance the budget. These one-time revenues are not yet programmed in the budget.

Terry Matsumoto, Chief Financial Services Officer and Treasurer, indicated that there are several major risks, including state budget difficulties and reduced consumer confidence.

Michelle Caldwell, Executive Officer, Office of Management and Budget, provided an overview of the FY09 proposed budget. She noted that the information in the blue budget book and Powerpoint presentation does not include the 256,000 service hours that were added back to the budget at last month's Board meeting. Ms. Caldwell reviewed the FY09 budget schedule, proposed budget expenditure by program, proposed budget sources, proposed budget highlights, proposed budget assumptions and sales tax revenue assumptions. She provided an overview of FY09 proposed FTE changes, proposed labor budget, bus and rail fare revenues, FY09 capital program by element, subsidy and regional programs, estimated FY09 ending fund balances, revenue service hour changes, budget risks, and FY09 proposed budget recommendations.

Director Molina inquired about the specific cuts in this year's budget.

Ms. Caldwell responded that there were \$8 million in cuts, primarily in the areas of travel, training, services and deferred projects. An additional \$20 million in proposed service cuts were also not included in the FY09 budget.

Director Molina mentioned that she had put forth a motion requesting that safety outreach be provided for the Gold Line Eastside Extension. She asked why staff who performed safety outreach for the Gold Line in Pasadena are not being used for the Eastside Extension.

Lynda Bybee, Deputy Executive Officer, Community Relations, stated that there was a reduction in staff. One employee retired, one left, and some were interns. She added that only one FTE is being added to the FY09 budget to conduct safety outreach for the Eastside Extension. There were seven individuals conducting outreach for the Gold Line. Currently there are only three full-time employees available to conduct outreach, and the others are either under contract, as-needed, or interns.

Director Molina stated that staff should try to figure out how to shift responsibilities so that existing employees take on other roles rather than add FTE's. She noted that there are six additional FTE's in Metro Bus Operations (3 contract and 3 non-contract).

Ms. Caldwell noted that several of these FTE's were approved in the FY08 budget.

Director Molina asked if there are three existing contract employees who can carry out the duties of the three FTE's proposed in the budget.

Ms. Caldwell stated that the FTE's being added to Bus Operations are Transit Operations Supervisors. She added that staff is in the process of making a correction in the budget to add the three contract FTE's. They are current employees who were left out of the FY08 budgeted base.

Director Molina indicated that this is a budget mistake that was not pointed out previously. She asked if the same holds true for the three non-contract FTE's.

Ms. Caldwell responded that one of the non-contract positions is for the incident-based surveillance system to manage the new DriveCam program. Mr. Snoble added that the work is labor-intensive and would require an additional FTE.

Director Molina observed that a number of projects end, but the number of staff working on those projects remains the same.

Mr. Snoble stated that in past years, there were quite a few positions that were taken away.

Director Molina requested that staff follow up with more information on how duties/employees are transferred to other areas once projects end.

Director Molina noted that the Service Sectors went through an extensive proposed service change public hearing process, only to find that their recommendations were undermined by last month's Board action. A total of 256,000 service hours were added back to the budget.

Mr. Snoble stated that in spite of the additional service hours being placed back into the FY09 budget, there will be a net reduction in service due to route thinning.

Director Molina asked how much this will cost.

Mr. Matsumoto responded that the route thinning is worth \$17.2 million, or 215,000 service hours.

Director Molina asked how the CNG fuel credit monies would have been applied if not used to balance the budget.

Ms. Caldwell responded that they were going to be placed in operating reserves.

Director Burke mentioned that she had presented a chart showing the distance people would have to walk if certain lines were cut. High crime and injunction areas were superimposed on the chart. Cuts that were restored were, for the most part, within these high crime areas. She noted that the distance some individuals would have to walk to reach alternate services was significant. She indicated that placing transit users in such a situation may pose a risk of potential lawsuits.

Director Molina expressed concern about the \$20 million cost of adding service hours. She noted that one of her Service Sector appointees diligently rides lines that are proposed to be cut to determine if the service reductions are justifiable. She questioned the need to have the Service Sectors conduct public hearings given that the Board's recent action superseded the Sectors' recommendations.

Alex Clifford, Gateway Cities Service Sector General Manager, commented that all of the Sector Representatives take their jobs seriously and that over the years, the Board has placed an enormous amount of trust in the Sectors. Sectors' recommendations have generally been adopted by the Board with little or no modification. The last service change public hearing was unique in that there was a major budget target that needed to be reached.

Mr. Snoble mentioned that there are service criteria that the Sectors follow when making cuts.

Director Fasana, referring to page 11 of the handout, asked if the number of FTE's listed under operations reflects the Board's actions last month with regard to the proposed service cuts.

Ms. Caldwell responded that currently there are no additional FTE's required as a result of the service being added back. She noted that the Board has at one time or another approved the six bus operations FTE's to be added into the budget. For example, in FY07 two of the TOS's in the San Gabriel Valley were added to the budget and in FY08 the two positions were mistakenly left out.

Director Fasana asked about the amount of money that remains in the budget.

Mr. Matsumoto responded that there is \$20.5 million remaining.

Director Fasana questioned the need for the proposed FTE changes given the amount left in the budget.

Mr. Clifford responded that the amount that was going to be saved to hit the target would have come from the trip thinning. The number of FTE's could not be reduced due to the Consent Decree mandate in which a certain number of peak-hour seats must be provided. Pay hours were reduced in order to reach the target.

Director Fasana asked if additional FTE's are required on lines that were not cut.

Mr. Clifford responded that the original plan was to transfer the savings from the service hours that were cut to the Rapid bus lines. Because the service hours have been added back, the number of FTE's on poor productivity lines remains the same, while at the same time the agency is challenged with funding Rapid bus service with the \$20.5 million that remains in the budget. No additional FTE's are required.

Mr. Snoble clarified that pay hours may be adjusted, but the number of FTE's does not necessarily have to change.

Director Fasana stated that it is important to include the cross-functional ability to work with Planning, Operations, Marketing and other departments when establishing the framework of the budget, particularly when planning and implementing congestion pricing initiatives.

Mr. Snoble stated that the budget allows for the completion of planning projects for congestion pricing.

Director Fasana asked if completion of planning for congestion pricing also includes completion of marketing, legislative, grant funding and other activities. He asked if there is adequate staffing to accomplish these activities.

Mr. Snoble indicated that this will present a challenge. The agency is working with Caltrans on the congestion pricing grant. The operating budget in FY10 will include additional service as part of congestion pricing initiatives.

Director Fasana asked how staff will coordinate planning and implementation of congestion pricing initiatives and who will take ownership of the various phases of the project.

Mr. Snoble responded that staff needs to figure out a structure to make this happen. He noted that the current budget does not include congestion pricing. It will not be included in the budget until 2010. Additional bus purchases will need to be made at that point.

Director Antonovich commented that the Sectors were asked to make tough decisions during the recent service change public hearings, only to have the Board undermine their recommendations. He highlighted the need for greater consistency in supporting the Sectors' proposals. He asked about the number of unfilled positions as they relate to the service cuts.

Mr. Snoble responded that there is a challenge in filling mechanic positions on the service side. Bus operator positions have been filled for the most part.

Director Antonovich asked where positions have been cut.

Mr. Snoble responded that the agency has not cut positions in the recent past. Several years ago, a large number of non-contract positions were cut.

Director Antonovich asked how many positions in the budget have not been filled in the past 12 months.

Ms. Caldwell responded that there are approximately 50 non-contract positions per month that are unfilled. The dollar amount of these positions is approximately \$5 million.

Director Antonovich asked about the dollar amount of the unfilled contract positions.

Mr. Matsumoto stated that vacant union positions will be filled with overtime.

Director Antonovich asked what percentage of the union positions continue to be vacant and backfilled with overtime.

Stefan Chasnov, Deputy Executive Officer, Human Resources, responded that most of the union positions are filled.

Chair O'Connor commented that with regard to sustainability efforts, state agencies will be drafting regulations that impact Metro, and it will be necessary to have adequate staffing to address these issues. It will be important to take advantage of any state and federal incentives for reducing greenhouse gas emissions and other funding opportunities.

Director Burke stated that part of the sustainability work would involve identifying additional resources and any savings that result from programs that are instituted.

Director Molina stated that quite a few salaries have shifted without the Board's knowledge. Regarding the Position Authorization and Compensation Policy amendment, she indicated that she would like to retain the existing policy authorizing the CEO to approve all non-contract salaries up to \$125,000 for new hires, reclassifications, salary equities and adjustments and the creation of new non-contract classifications, rather than the proposed \$200,000 amount.

2. Public comment – none.

ADJOURNED at 3:08 p.m.

Prepared by: Michele Chau
Board Specialist


Michele Jackson, Metro Board Secretary

