

**Board Report**

File #:2016-0036, **File Type:**Budget

Agenda Number:

**FINANCE, BUDGET AND AUDIT COMMITTEE
FEBRUARY 17, 2016**

SUBJECT: FY17 BUDGET PLANNING PARAMETERS

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file the FY17 Budget Planning Parameters.

ISSUE

The budget planning parameters, as described below, include sales tax growth assumptions, levels of service, fare revenue per boarding and other key financial factors that guide the allocation of resources for the development of the upcoming annual budget.

DISCUSSION

Metro will present a balanced budget for FY17. The budget will emphasize safety, security, transit service quality improvement, new bus and rail vehicle purchases, delivery of rail and highway projects, Active Transportation initiatives, sustainability, technology enhancements, construction of the Regional Connector, Purple Line Extension Segment 1 and Crenshaw LAX rail lines, state of good repair and other new initiatives.

The budget planning parameters serve as the framework for developing the annual budget. As the budget development process continues and additional information becomes available, these parameters may be modified, updated and/or changed accordingly.

Budget Planning Parameters and Rationale

A. Sales Tax & TDA Revenue Forecast:

B. State Transit Assistance (STA) Revenue: Depends upon actual consumption of diesel usage. Preliminary forecast for FY17 is at \$XXXmillion which is lower than the FY16 budget level of \$105.7 million due to improved vehicle technology, fuel efficiency and lower fuel prices. This assumption number will be revised during the budget process to reflect the State Controller's FY17 estimate due for release in early February 2016.

C. Fare Revenue Forecast:

D. Rail Service Level: Assumes that Gold Line Foothill Extension and EXPO II to Santa Monica will begin revenue service in March and May 2016. Metro Rail service will increase by 284,973 or 26.0% Revenue Vehicle Service Hours (RVSH) for a total of 1,379,472. (Chris to review/update)

E. Bus Service Level: Metro Bus services will decrease by 41,400 or 0.6% Revenue Service Hours (RSH) due to improved speeds, elimination of duplicate service, line transitions to municipal operators and cancellation of poor performing lines. (Chris to review/update)

F. Staffing: FY17 budget will recommend no new Non-Contract FTEs and only reallocate positions from current vacancies. Reallocation guidelines are currently in development with the CEO. Contract FTEs will be adjusted based on service levels and zero-based budget cost drivers.

G. Wage and Benefits: Non-Contract compensation increase based on merit, pending CEO instruction. For SMART, ATU, TCU and AFSCME members, FY17 Proposed Budget salaries and fringe benefits will grow by negotiated rates per the Union Contract terms.

H. Consumer Price Index (CPI): Current estimates from leading forecasts, such as UCLA, Beacon Economics and Muni Services range from 1.9% to 2.9%. The FY17 assumption will be determined when the next quarterly updates become available in early February 2016.

DETERMINATION OF SAFETY IMPACT

This recommendation will not have an impact on safety standards for Metro.

FINANCIAL IMPACT

The budget planning parameters guide the development of the FY17 budget and may change as more specific information becomes available.

NEXT STEPS

A Proposed FY17 Budget will be presented to the Board in May 2016 for approval. In the months preceding budget adoption, we will brief Board and Board staff with additional information as it becomes available.

ATTACHMENTS

Attachment A - Financial Summary of the FY17 Business Planning Parameters
Attachment B - FY17 Sales Tax Revenue Assumption

Prepared by: Jessica Lai, Budget Management Analyst V, (213) 922-3644
Perry Blake, Executive Officer, Finance, (213) 922-6171

Reviewed by: Melissa Wang, Executive Officer, Finance, (213) 922-6024
Nalini Ahuja, Executive Director, Finance and Budget, (213) 922-3088