Los Angeles County Metropolitan Transportation Authority

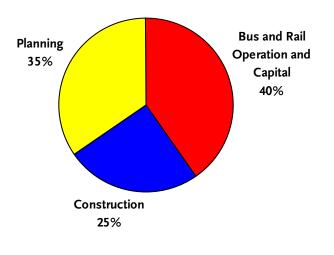
## **Structural Deficit**

Updated Fall 2006



#### Metro's Total Annual Budget is Nearly \$3 Billion

- 3 Core Business Units
  - Bus and Rail Operations and Capital programs
  - Countywide Planning and Development
  - Major Construction Program
- Bus and rail operations and future capital programs (Enterprise Fund) have a structural deficit
- No deficits in Planning or Construction
  - Programs are limited to funds available





### **Structural Deficit**

- Operating and capital expenses exceed fares, advertising and formula subsidies
- Rail has no formula subsidies
  - Discretionary allocations from Prop C 40% are used to balance costs
- FY07 budget bus deficit \$112 million

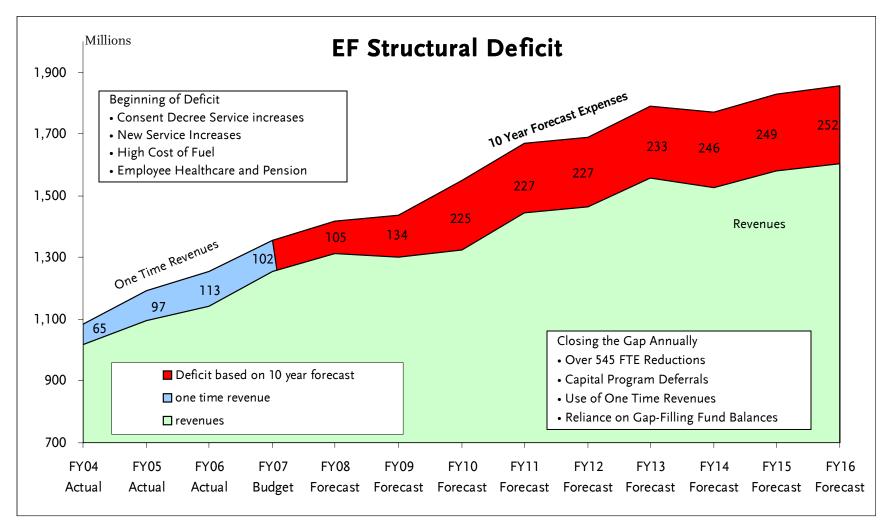


#### How We Got Here

- Consent Decree
  - 1.4 million annual revenue service hours
  - Approximately \$166 million per year
  - 2143 bus purchases
- Transit improvements
  - Blue Line service increases (3 car trains)
  - Red Line
    - Segment 2
    - Segment 3
  - Gold Line
  - Orange Line
  - Metro Rapid improvements
- Fuel price escalated 117% in the past 5 years
- Employee healthcare and pension costs increased 90% in the past 5 years



#### **Structural Deficit Forecast**



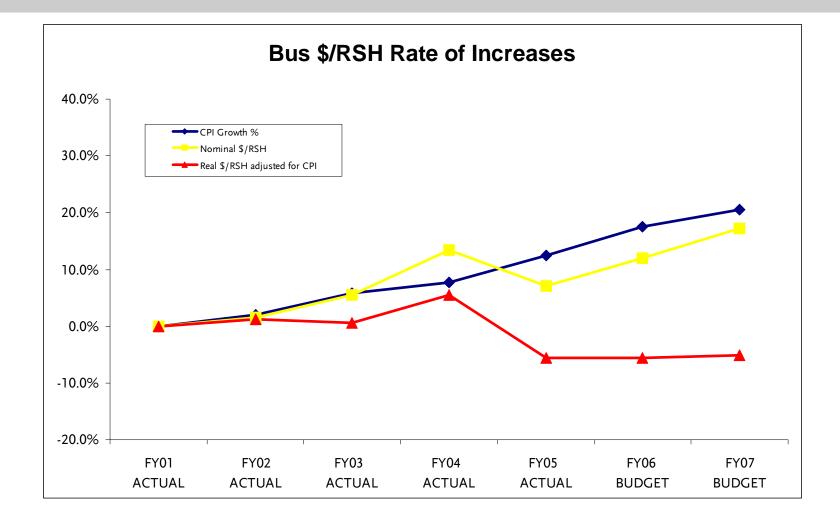


#### What We are Doing about the Structural Deficit

- Aggressively identifying efficiencies
  - Reduced 545 FTE's since FY04
- Focusing resources to increase ridership
- Extending life of capital assets to reduce annual capital expenditure requirements
- Deferring non safety-related capital maintenance programs
- Pursuing joint development projects to enhance revenues
- Making tough choices



#### **Bus Expenses – Cost per Revenue Service Hour**





7

# Discussion

