7

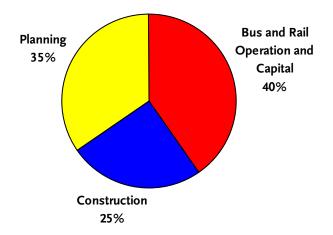
Structural Deficit

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

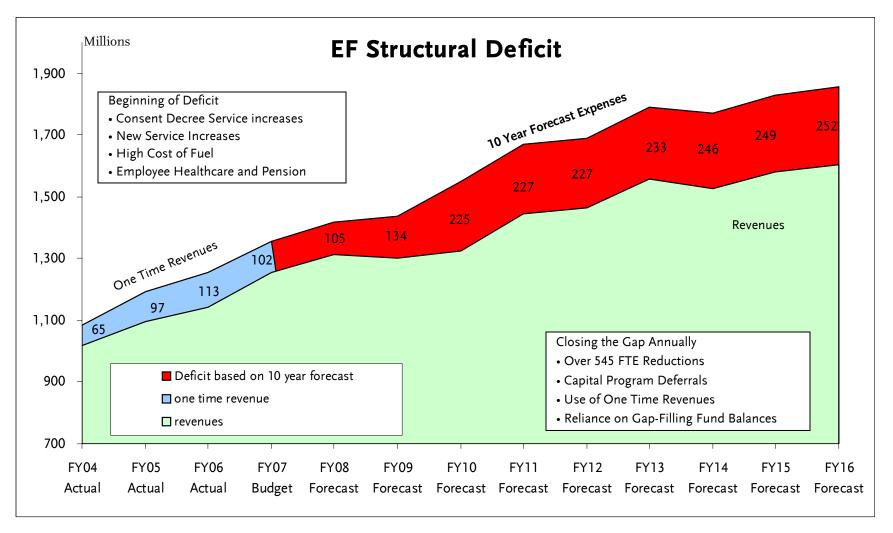


How We Got Here

- 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



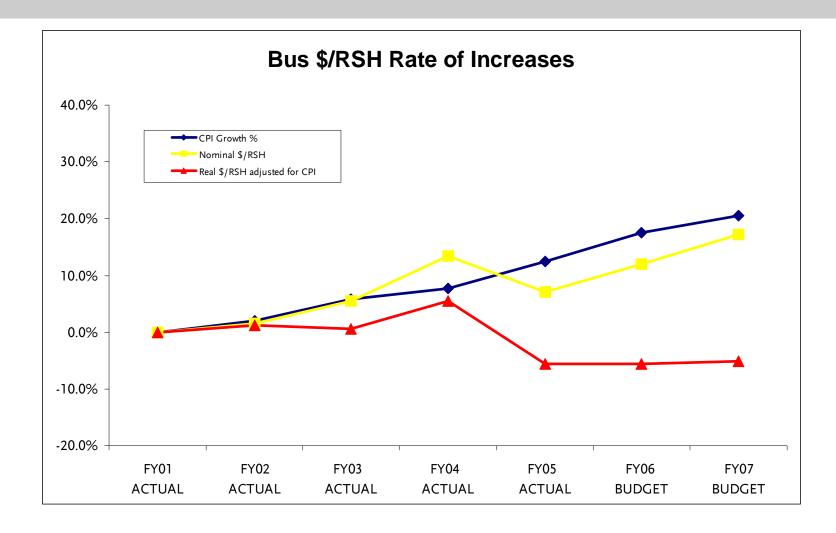


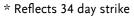
What We are Doing about the Structural Deficit

- 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







Discussion

