

Structural Deficit

Oral Report – Item 16
Finance and Budget Committee
January 17, 2007



Metro

Definition

Not enough money to pay for what we operate

- Lived beyond “our means” by \$641 million over past 5 years
- Amount is equal to Expo Phase 1

Deficit is \$1.8 billion over next ten years

FY08 deficit is \$105 million

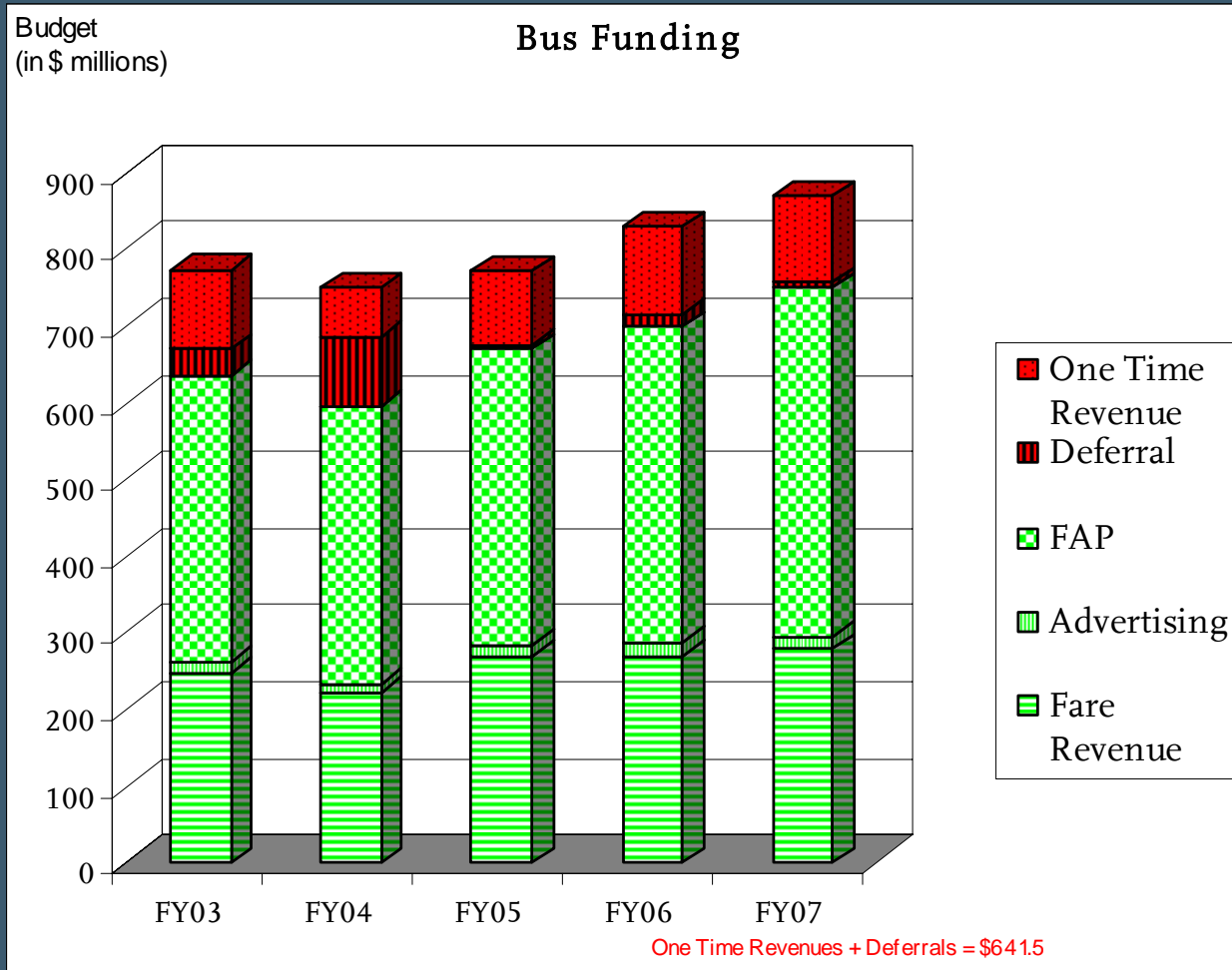


Impacts

**If no action taken to eliminate the deficit
METRO will not be able to:**

- 1. Meet its payroll obligation as early as mid August 2008**
- 2. Operate the Eastside Gold Line or Expo Phase 1**
- 3. Add any new transit service in violation of the New Service Plan**
- 4. Build any new transit improvements beyond Expo Phase 1**
- 5. Take advantage of the State bond Money**

Bus Funding



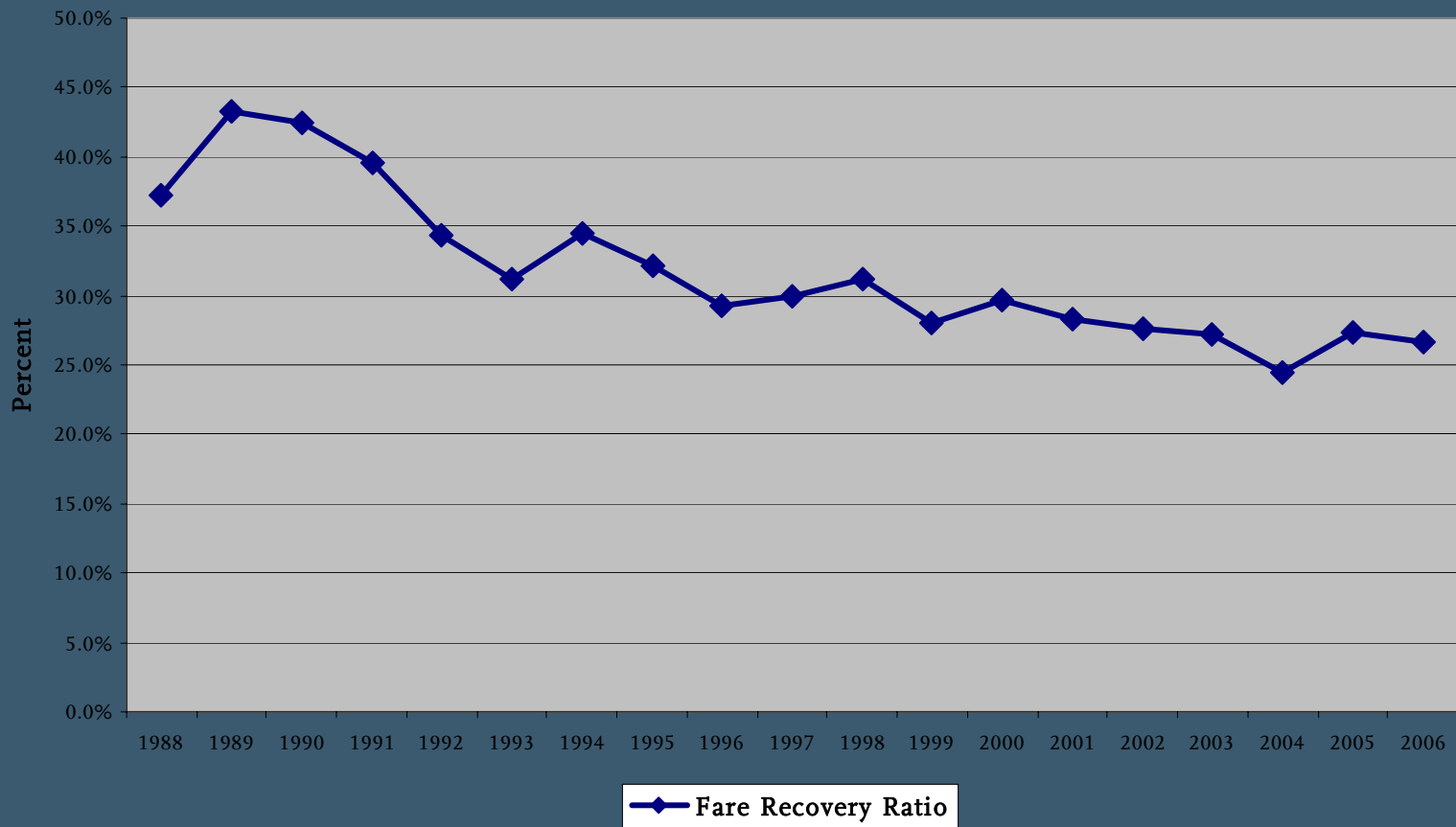
Fare Recovery

Fare recovery ratio dropped from 28% to 24% over the period

- Board policy of 38% has not been enforced due to Consent Decree
- Fare recovery ratio of 40% would have eliminated the Structural Deficit (\$694 million more)
- Increased operating capital program

Fare Recovery Ratio

Fare Recovery Ratio
1988-2006



40% Fare Recovery

40% FARE RECOVERY RATIO



Deficit Resolution

Reduce Spending

- Administrative
- Capital
- Service Delivery

Increase Revenue

- New Taxes
- FAP Change
- Fund Balances
- Fares

Reduce Spending

Total bus and rail admin costs – not enough

- \$89 million
- Over 545 FTEs eliminated over past 5 years
- No one left to pay operators, bills or support our service

Defer capital - bus buys/facilities maintenance – not enough

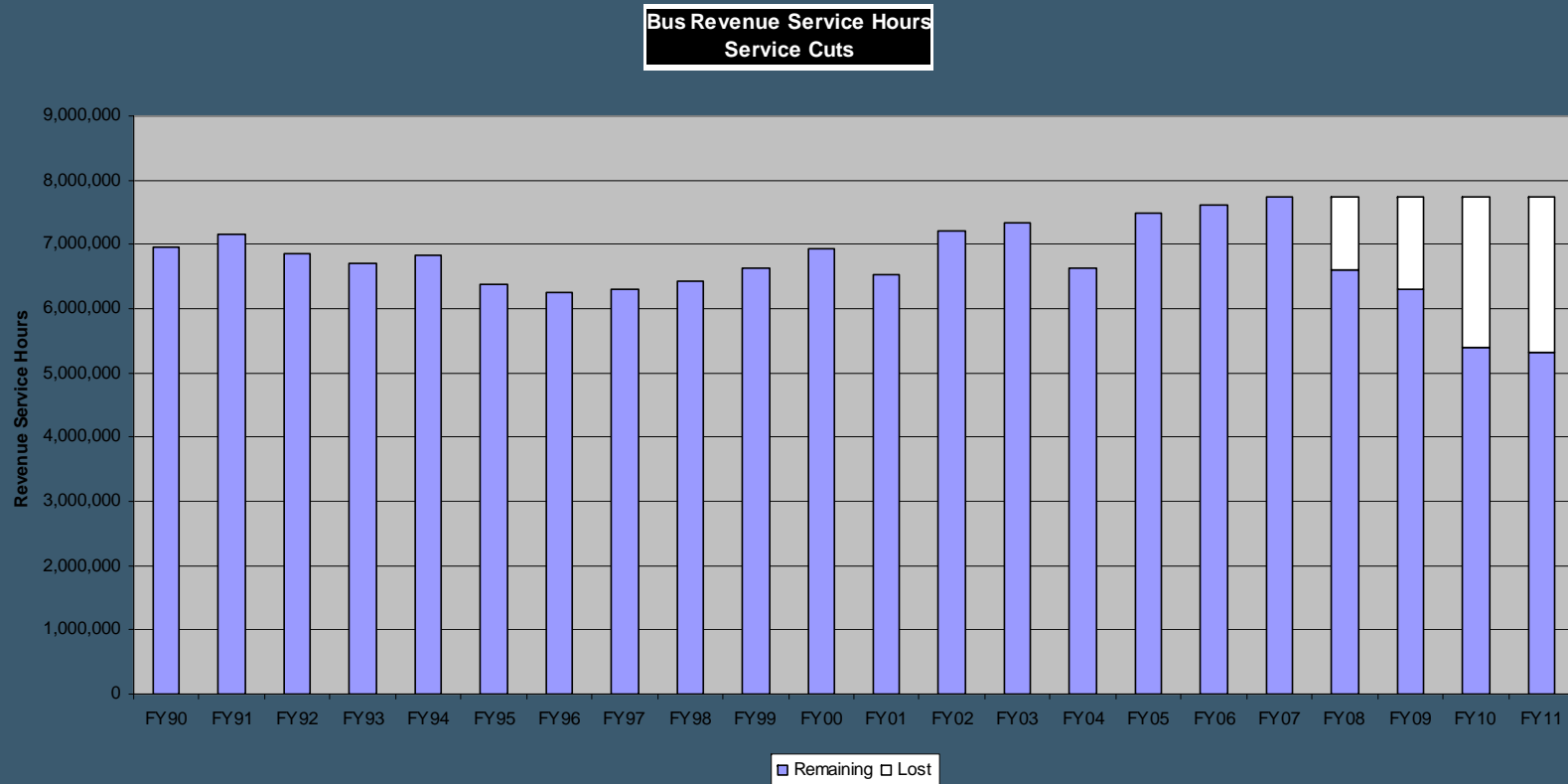
- Fleet and facilities will fail
- Poor service reliability a primary cause of Consent Decree

Reduce Spending (Cont'd)

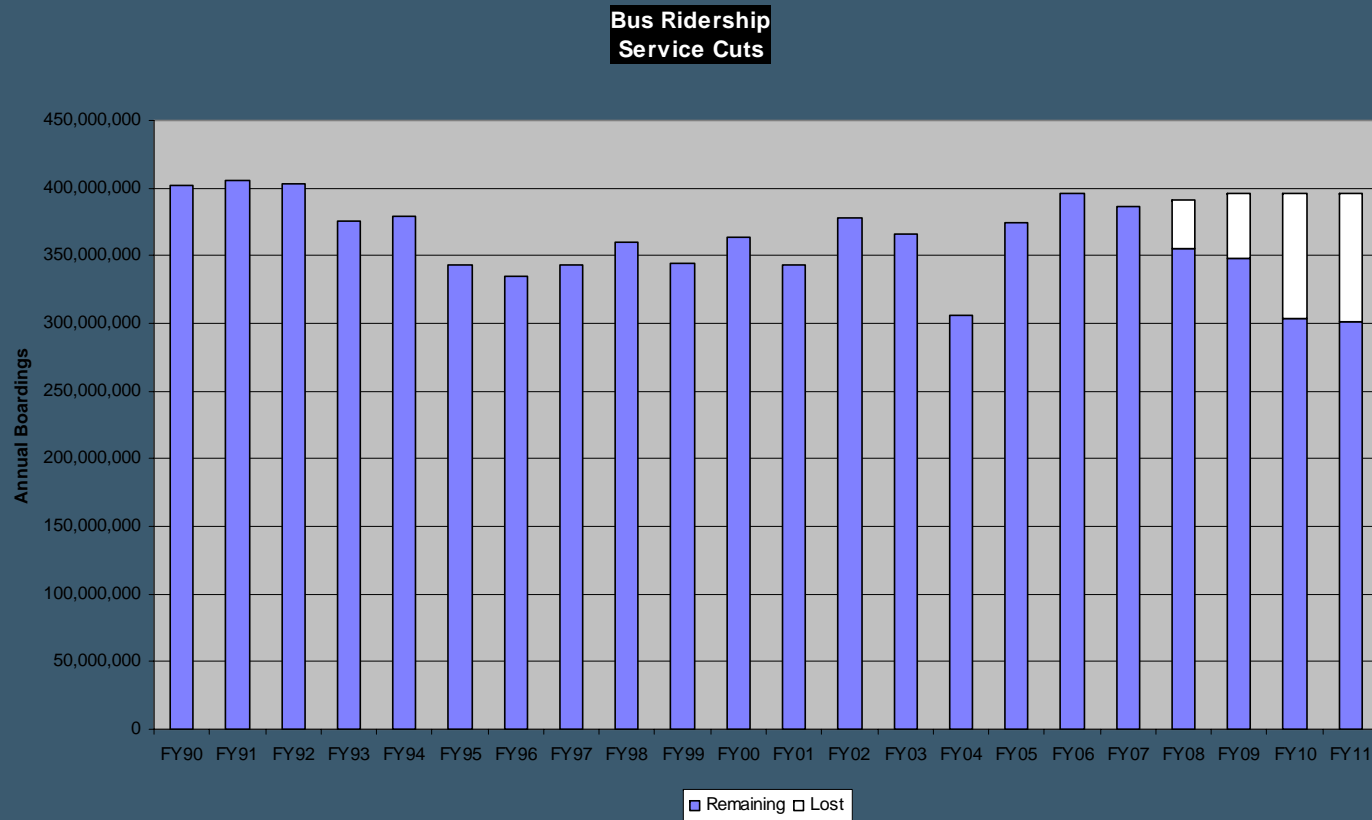
Solve entire deficit by reducing bus service only

- **Reduce 2.4 million revenue service hours, 31% of total service**
- **Loses 95 million annual boardings, 25%**
- **Equivalent to 72 lines**
- **Restricted by New Services Plan**

Bus Service Reductions - Hours



Bus Service Reductions - Ridership



Reduce Spending (Cont'd)

Solve the entire deficit by eliminating rail service only

- Total rail operating and capital is \$251 million
- Wrong colors of money
- Only \$44 million usable for bus service
- Not enough to solve even the first year
- Approximately 82 million lost riders
- Over \$7 billion of wasted assets that would still require maintenance

Increase Revenues

Solve entire deficit with:

- **New ¼ cent sales tax exclusively for Metro fare subsidies**
 - Need legislative authorization
 - 2/3 majority of voters
- **FAP Change –not enough**
 - More equitable to Metro
 - Zero sum game
 - ¾ majority Board vote
 - Need entire FAP to solve the deficit
- **Fund Balances would be exhausted by August 2008 – not enough**

Increase Revenues (Cont'd)

Solve entire deficit with fare changes only

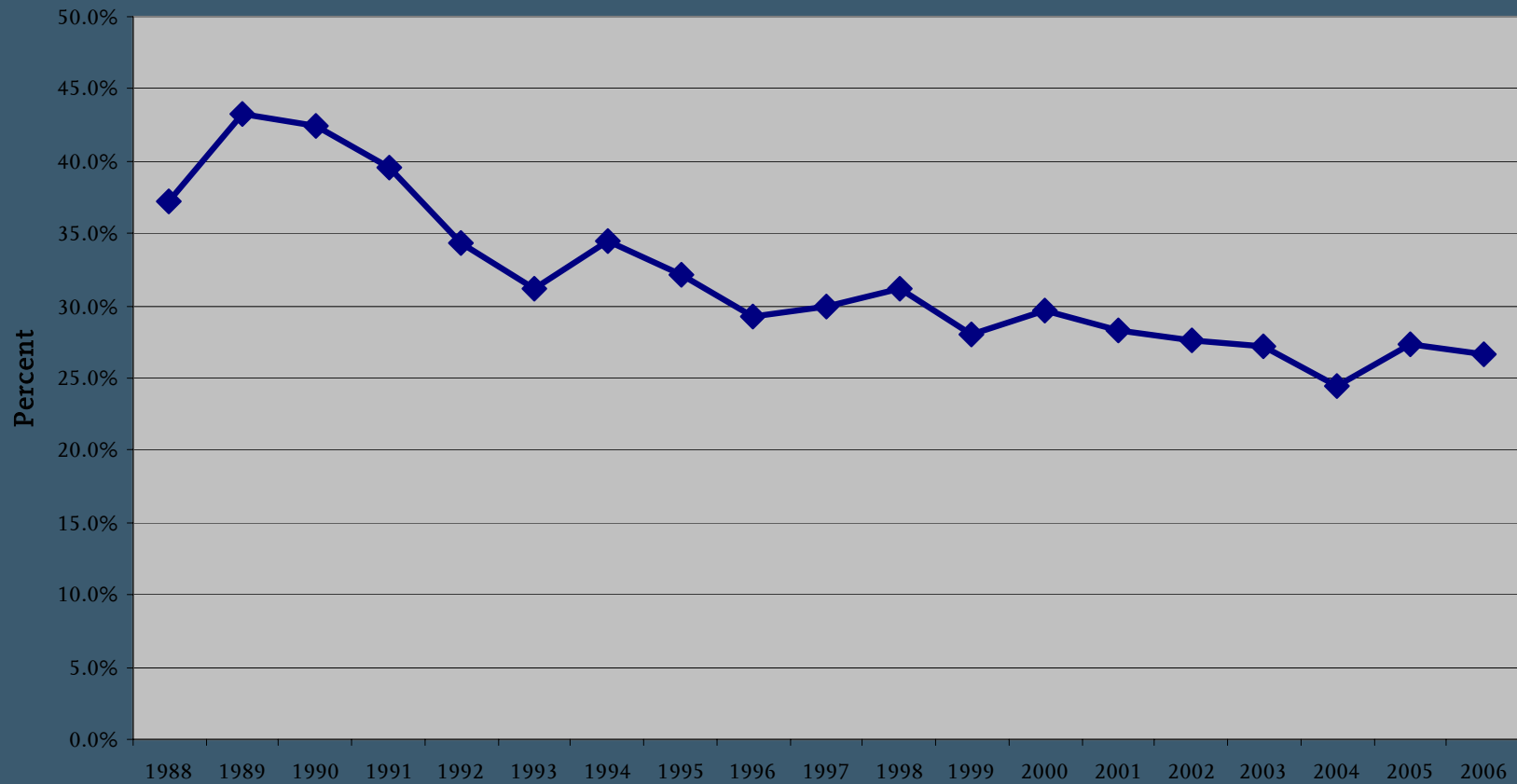
- \$1.25 today grows to \$3.20 in 2010
- Three fare increases

Low Fare Recovery Ratio

- Declining over past 10 years
- Continues to decline through 10 year forecast

Fare Recovery Ratio

Fare Recovery Ratio
1988-2006



Fare Recovery Benchmarks

Transit Agency	Modes	Fare Recovery Ratio	Ave fare/boarding
APTA Peer Group			
AC Transit	Bus	19.70%	\$0.69
Chicago Transit	Bus & Rail	45.20%	\$0.85
New York City Transit	Bus & Rail	59.20%	\$0.96
OCTA	Bus	23.30%	\$0.59
SEPTA (Philadelphia)	Bus & Rail	40.00%	\$0.97
Metro (FY07 Budget)	Bus & Rail	24.70%	\$0.59
Other Large Systems			
MBTA (Boston)	Bus & Rail	28.90%	\$0.77
WMATA (Wash, DC)	Bus & Rail	40.80%	\$1.06
BART	Rail	49.10%	\$2.25
New Jersey Transit	Bus & Rail	38.30%	\$2.36
San Francisco	Bus & Rail	25.50%	\$0.53

Comparative Fares

Modes	City	CPI Index	Base Fare	Monthly Pass	Day Pass
<i>Major Cities</i>					
HR/MB	Atlanta	192.7	1.75	52.50	8.00
HR/LR	Boston	224.5	1.25	44.00	7.50
MB	Boston	224.5	0.90	31.00	7.50
HR/MB	Chicago	197.9	2.00	75.00	5.00
LR/MB	Dallas	188.4	1.25	40.00	2.50
MB	Detroit	196.6	1.50	49.50	-
MB	Fort Worth	188.4	1.25	40.00	2.50

Comparative Fares

Modes	City	CPI Index	Base Fare	Monthly Pass	Day Pass
LR/MB	Houston	180.4	1.00	35.00	2.00
HR/LR/MB	Los Angeles	211.1	1.25	52.00	3.00
HR/MB	New York	220.9	2.00	76.00	7.00
LR	Newark	220.9	1.75	53.00	-
HR/LR/MB	Philadelphia	211.6	2.00	70.00	5.50
LR/MB	Saint Louis	192.8	1.75	60.00	4.50
LR/MB	San Francisco (MTA)	211.0	1.50	45.00	11.00
HR	Washington (1996 CPI base)	129.3	1.35	-	6.50
MB	Washington (1996 CPI base)	129.3	1.25	-	3.00

Making Tough Choices



Next Steps

- Discussion to set stage for Board Workshop in February
- Hold workshop
- Recommend deficit reduction plan and business planning parameters for Board approval at regular February meeting