

Deficit Management Plan



Discussions

April 2007



Metro

Current Situation

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

Impacts

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

Add any new transit service in violation of the New Service Plan

- Operate the Eastside Gold Line or Expo Phase 1

As of now, without new revenues or cost reductions, we will run out of money in FY09

What Deficit Management Goals Should Do

Balance between fare subsidies and service improvements

Fare subsidies use money which could:

- Implement the New Services Plan - Metro Rapid
- Improve bus and rail service quality
- Build or operate Expo II, Crenshaw, Orange N/S, Wilshire BRT, subway extensions or any new service

Deficit Reduction Goals

- Continue to improve service productivity and efficiency
- Increase services for Metro customers
- Maintain bus and rail purchases and facilities capital programs
- Eliminate the deficit in 5 years
 - “Live within our means” i.e., no backfilling with one-time revenues
- Attain fare recovery ratio of at least 38%

Deficit Resolution Variables

Reduce Spending

- Administrative
- Capital
- Service Delivery

Increase Revenue



- New Taxes
- FAP Change
- Fund Balances
- Fares

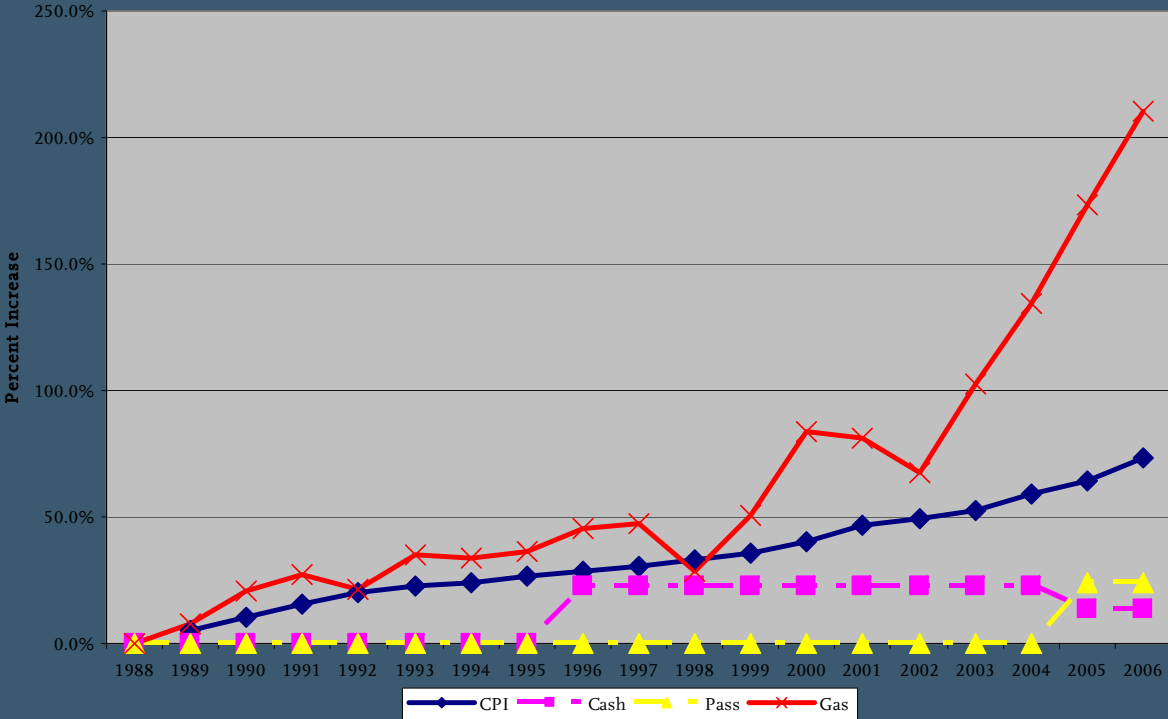
Recommended Strategy

Eliminate the deficit in 5 years:

- Implement the “New Services Plan” and Metro Connections
- Maintain capital program per FY07 10-year forecast
- Increase seat capacity with purchases of larger buses
- Lower fuel budget based on FY07 experience
- Implement CNG fuel hedging program
- Use PC40% in excess of MOSIP
- Adopt a multi-year fare change program
 - FY08 fare change on July 1, 2007
 - Second fare change on January 1, 2009
 - FY12 fare change on July 1, 2011 (structure TBD)

Fares, Gasoline & CPI

Fares, Gasoline, CPI



\$2.00 Fares Today

Transit System Name	Urban Area	Date	Base	Day	Mon
Eagle County Regional Transportation Authority	Avon, CO	2006	3.00	6.00	60.00
Plymouth Metrolink	Minneapolis, MN	2006	2.75		
Southwest Metro Transit Commission	Minneapolis, MN	2006	2.75	6.00	104.0
San Diego Metropolitan Transit System	San Diego, CA	2003	2.25	5.00	60.00
San Diego Transit Corporation	San Diego, CA	2003	2.25	5.00	60.00
Chicago Transit Authority	Chicago, IL	2006	2.00	5.00	75.00
City and County of Honolulu Department of Transportation Services	Honolulu, HI	2003	2.00		40.00

\$2.00 Fares Today (Cont'd)

Transit System Name	Urban Area	Date	Base	Day	Mon
Community Action of Southern Kentucky, Inc.	Bowling Green, KY	1995	2.00		
Metro Transit	Minneapolis, MN	2006	2.00	6.00	76.00
Monterey-Salinas Transit	Seaside, CA	2006	2.00	4.50	62.00
MTA Long Island Bus	New York, NY	2003	2.00	7.00	76.00
MTA Metro-North Railroad	New York, NY	2005	2.00		25.00
MTA New York City Transit	New York, NY	2003	2.00	7.00	76.00

\$2.00 Fares Today (Cont'd)

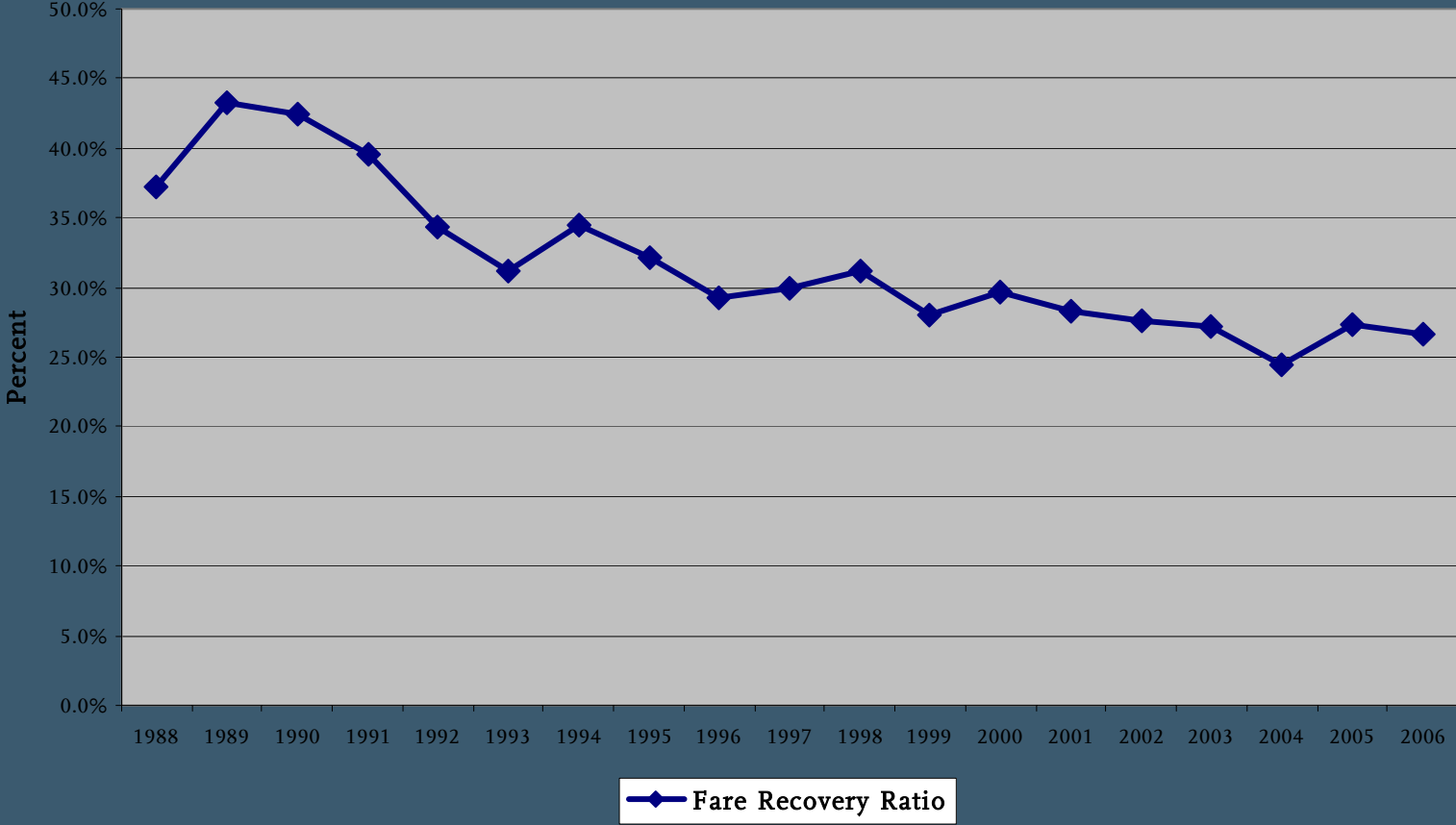
Transit System Name	Urban Area	Date	Base	Day	Mon
New York City Department of Transportation	New York, NY	2004	2.00		
North County Transit District	San Diego, CA	2006	2.00	4.00	84.00
Sacramento Regional Transit District	■ Sacramento, CA	2006	2.00	5.00	85.00
Southeastern Pennsylvania Transportation Authority	Philadelphia, PA	2001	2.00	5.50	70.00
Triangle Transit Authority	Raleigh, NC	2005	2.00	4.00	64.00
Williamsport Bureau of Transportation	Williamsport, PA	2005	2.00	2.00	32.00

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

Fare Recovery Ratio

Fare Recovery Ratio
1988-2006



Multi-year Fare Change Program

Recommend that Board act on two phase fare change

- 1st phase effective on July 1, 2007
- 2nd phase effective on January 1, 2009

A third fare change will be required on July 1, 2011, structure to be determined

Fare Structure Recommendation for July 1, 2007

- Preserves base fare at \$1.25, lowest in the country for major metropolitan areas
- Establishes reasonable and consistent relationships among pass products based on usage
- Changes senior age from 62 to 65 over three years
- Eliminates semi-monthly pass
- Sets tokens and Owl service at base fare

Pass Relationships - Current

Pass	Base		Rides	=	Price
Day	\$ 1.25	x	2.4	=	\$ 3.00
Week	\$ 1.25	x	11.2	=	\$ 14.00
Month	\$ 1.25	x	41.6	=	\$ 52.00



Pass	Monthly		Pct	=	Price
S/D/M	\$ 52.00	x	23%	=	\$ 12.00
K-12	\$ 52.00	x	38%	=	\$ 20.00
College	\$ 52.00	x	58%	=	\$ 30.00

* Add \$6 for Regular EZ, \$17 for S/D/M EZ

Pass Relationships – July 1, 2007

Pass	Base		Rides		Price
Day	\$ 1.25	x	4	=	\$ 5.00
Week	\$ 1.25	x	16	=	\$20.00
Month	\$ 1.25	x	60	=	\$75.00*
		■			
Pass	Monthly		Pct		Price
S/D/M	\$75.00	x	50%	=	\$37.50*
K-12	\$75.00	x	60%	=	\$45.00
College	\$75.00	x	70%	=	\$52.50

* Add \$20 for Regular EZ, \$10 for S/D/M EZ

Pass Relationships – January 1, 2009

Pass	Base		Rides		Price
Day	\$ 2.00	x	4	=	\$ 8.00
Week	\$ 2.00	x	16	=	\$ 32.00
Month	\$ 2.00	x	60	=	\$120.00*
		■			

Pass	Monthly		Pct		Price
S/D/M	\$120.00	x	50%	=	\$ 60.00*
K-12	\$120.00	x	60%	=	\$ 72.00
College	\$120.00	x	70%	=	\$ 84.00

* Add \$20 for Regular EZ, \$10 for S/D/M EZ

Proposed Fares - Regular

		Current	Proposed 7/1/07	Proposed 1/1/09
Cash	\$	1.25	\$ 1.25	\$ 2.00
Token	\$	1.10	\$ 1.25	\$ 2.00
Day	\$	3.00	\$ 5.00	\$ 8.00
Week	\$	14.00	\$ 20.00	\$ 32.00
Semi-month	\$	27.00	Eliminate	Eliminate
Month	\$	52.00	\$ 75.00	\$ 120.00
EZ	\$	58.00	\$ 95.00	\$ 140.00

Proposed Fares – Regular, Other

	Current	Proposed 7/1/07	Proposed 1/1/09
Zone 1	\$ 0.50	\$ 0.80	\$ 1.30
Zone 2	\$ 1.00	\$ 1.60	\$ 2.60
		■	
Monthly each zone	\$ 15.00	\$ 24.00	\$ 39.00
Owl	\$ 0.75	\$ 1.25	\$ 2.00
Metro IAT	\$ 0.25	\$ 0.50	\$ 1.00

Proposed Fares – Senior/Disabled/Medicare

		Current	Proposed 7/1/07	Proposed 1/1/09
Cash	\$	0.45	\$ 0.60	\$ 1.00
Zone 1	\$	0.25	\$ 0.40	\$ 0.65
Zone 2	\$	0.50	\$ 0.80	\$ 1.30
Month	\$	12.00	■\$ 37.50	\$ 60.00
EZ	\$	29.00	\$ 47.50	\$ 70.00
Monthly premium each zone	\$	7.50	\$ 12.00	\$ 19.50
Metro IAT	\$	0.10	\$ 0.25	\$ 0.50

Senior age from 62 to 65 over three years

Proposed Fares - Students

		Current	Proposed 7/1/07	Proposed 1/1/09
K-12	\$	20.00	\$ 45.00	\$ 72.00
College	\$	30.00	\$ 52.50	\$ 84.00



Proposed Cost per Ride - Passes

		Number of Rides per Month							
Pass	Price	60	70	80	90	100	110	120	130
S/D/M	\$37.50	\$0.63	\$0.54	\$0.47	\$0.42	\$0.38	\$0.34	\$0.31	\$0.29
Reg	\$75.00	\$1.25	\$1.07	\$0.94	\$0.83	\$0.75	\$0.68	\$0.63	\$0.58
EZ	\$95.00	\$1.58	\$1.36	\$1.19	\$1.06	\$0.95	\$0.86	\$0.79	\$0.73

Special Programs - Senior/Disabled

Metro Discounted Fares	<u>Subsidy</u>	<u>Discussion</u>
Senior/Disabled Cash Fare	\$ 170,000	Regular cash fare is \$1.25. FTA requirement is 50% off-peak. Current S/D fare is \$.045. Excess subsidy is \$0.17/ boarding. Estimated annual S/D cash boardings are 1 million.
Senior/Disabled Monthly Pass	\$ 40,000,000	S/D pass is NOT required. 1 million S/D passes are sold annually at \$12 vs \$52, subsidy is \$40/pass.
EZ S/D	\$ 1,160,000	EZ S/D is not required. EZ S/D is \$29 vs \$58, subsidy is \$29/ pass. 40,000 passes sold annually.
Local Programs		
Specialized Dial-a-Ride for the elderly and disabled	\$ 21,400,000	For FY 2005-06, 63 cities and the County of Los Angeles (unincorporated areas) provided Specialized DAR.
Prop A Incentive Program	\$ 5,700,000	Incentive funded projects include Subregional Paratransit service to the Elderly and Disabled. There are 19 projects provided by 17 agencies.
Access Services	\$ 75,000,000	Access Services is responsible for the administration of Access Paratransit, the Americans with Disabilities Act (ADA) mandated paratransit transportation program for Los Angeles County and provides for the mobility of persons with disabilities.
Total Subsidies	\$ 143,430,000	

Special Programs - Students

Metro Discounted

Fares	<u>Subsidy</u>	<u>Discussion</u>
K-12 Student Pass	\$ 16,000,000	K-12 pass is \$20 vs \$52, subsidy is \$32/pass. 500,000 passes sold annually
College/Voc Pass	\$ 2,200,000	■ C/V pass is \$30 vs \$52, subsidy is \$22/pass. 100,000 passes sold annually.
Total Subsidies	\$ 18,200,000	

Next Steps

- Hold public hearing on fare changes in May
- Approve multi-year fare changes
- Special Board Workshop on FY08 budget in June
 -
- Hold public hearing on FY08 budget at June F&B Committee meeting
- Adopt FY08 budget at June Board meeting