



FINANCE AND BUDGET COMMITTEE
January 16, 2008

SUBJECT: FY08 TEN-YEAR FORECAST

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file the attached summary of the FY08 Ten-Year Forecast for the Enterprise Fund (bus and rail operating and capital forecast).

ISSUE

The ten-year financial forecast for Los Angeles County Metropolitan Transportation Authority's (LACMTA) bus and rail operating and capital programs indicates an annual deficit. Major capital projects and the regional subsidy programs funding plans have been approved by the Board and, therefore, are considered fully funded for ten-year forecast purposes.

DISCUSSION

The FY08 ten-year forecast indicates a deficit (operating and capital) of \$975 million through FY17. The FY07 ten-year forecast showed a 1.9 billion deficit for the ten years through FY16. The FY07 forecast indicated a \$140 million deficit for FY09. The FY08 updates show the FY09 deficit at \$71 million primarily based on the fare restructuring approved in the FY08 budget.

The ten-year forecast reflects only actual Board policy decisions and approved commitments through July 2007. Only known revenues are included and growth in those revenues is projected on long-term historical trends, approved Long Range Transportation funding, or updated forecasts from Regional Planning and Programming. No new revenue sources are included.

Costs for known commitments are included at their actual values. Costs for years beyond the current commitments are generally escalated at Cost Price Index (CPI), as forecast by UCLA. The major construction projects are assumed to be fully funded as adopted in the Long Range Transportation Plan.

The forecast also indicates there is available Proposition C40% fund balance (although recent Board approvals regarding the Formula Allocation Procedure (FAP) or backfilling the Proposition 1B funding with PC40% are not included in the ten-year forecast and will

impact the PC40% fund balance) and General Fund reserves that could be applied to attempt to balance operating and capital programs. Since appropriations of those monies will require future Board actions, they are not applied in the forecast.

Solutions to balance the operating and capital expenses and revenues must encompass a combination of reducing costs and raising revenues. Staff embarked on an aggressive cost containment strategy beginning in FY03. These efforts have continued through FY08.

Staff will continue to look at service delivery to ensure that the system is serving the most people in the most efficient manner possible. The ten-year forecast assumes a service change resulting in 215,000 less revenue service hours while increasing ridership capacity by using larger buses. Additionally, the CEO has requested further review of low-ridership lines to determine if an additional 200,000 revenue service hours (100,000 in FY09) could be redeployed to higher ridership lines. This savings has not yet been incorporated into the ten-year forecast.

Two fare changes are assumed in the ten-year forecast as approved by the Board with the next increase beginning July 1, 2009, for FY2010. Periodic fare changes are required to bring the farebox recovery ratio up to an acceptable level concurrent with federal and state transit industry standards.

FINANCIAL IMPACT

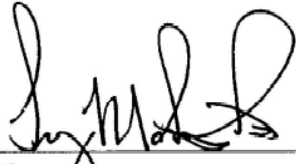
Approval of this report will not impact the FY08 budget. Actual business planning parameters for the FY09 budget will be brought to the Board for approval in January 2008.

NEXT STEPS

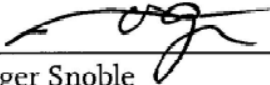
Use the FY08 Ten-year Forecast as the basis for the Long Range Plan update being presented to the Board for approval in FY08 and as the starting point for the FY09 budget.

Prepared by the Office of Management and Budget

Attachment



Terry Matsumoto
Chief Financial Services Officer and Treasurer



Roger Snoble
Chief Executive Officer

Los Angeles County Metropolitan Transportation Authority
 FY08 Ten-Year Forecast
 FY2006 – FY2017
 Bus and Rail Operating and Capital
 Statements of Revenue and Expenses

(Amounts in millions)		FY06	FY07	FY08	FY09	FY10	FY11	FY12
		Actual	Budget	Budget	Forecast	Forecast	Forecast	Forecast
1	Operating revenues:							
2	Passenger fares	280.6	278.5	321.5	326.3	358.3	371.2	378.3
3	Route subsidies	0.5	0.5	0.3	0.3	0.3	0.3	0.3
4	Advertising	17.2	16.2	19.3	23.3	25.6	28.0	30.5
5	Total operating revenues	298.3	295.2	341.1	349.9	384.2	399.5	409.1
6								
7	Operating expenses:							
8	Operating	863.4	936.0	975.7	992.0	1,027.7	1,085.0	1,115.6
9	General & administrative	189.9	194.7	190.3	211.4	220.9	237.6	244.3
10	Operating expenses, excluding depreciation:	1,053.3	1,130.7	1,166.0	1,203.3	1,248.6	1,322.6	1,359.9
11								
12	Operating loss	(755.0)	(835.4)	(824.9)	(853.5)	(864.4)	(923.1)	(950.9)
13								
14	External Operating subsidies and grants (other expenses):							
19	External operating subsidies, grants	215.8	191.3	206.0	192.4	203.0	224.3	227.5
20	Debt (expense)	(3.2)	(14.3)	(14.1)	(13.9)	(13.8)	(13.8)	-
23	Total operating subsidies and grants (other expenses)	212.6	177.0	191.9	178.5	189.2	210.5	227.5
24								
25	Gain (loss) before debt and capital items	(542.4)	(658.5)	(632.9)	(674.9)	(675.1)	(712.5)	(723.3)
26								
27	Debt service & capital grants / contributions:							
28	Local							
29	Capital	1.8	1.9	17.9	8.0	8.0	7.8	11.2
30	Debt service grants/other revenues	2.7	2.4	2.3	2.2	-	-	-
31	Proceeds from financing	(96.0)	156.6	96.6	20.8	16.7	129.7	200.2
32	State - capital	201.8	167.6	207.9	334.4	279.6	139.5	144.1
33	Federal - capital	261.4	189.3	126.1	215.9	114.0	71.7	88.2
34	Total debt service & capital grants / contributions	371.7	517.8	450.7	581.4	418.3	348.7	443.7
35								
36	Capital program:							
37	Operating capital	186.5	218.4	236.4	215.4	217.8	225.1	314.8
38	Major construction	211.2	409.0	408.3	533.5	415.9	336.7	315.1
39	Total capital program	397.7	627.4	644.7	748.9	633.7	561.7	629.9
40								
41	Debt service expenses:							
42	Interest expense	157.3	152.3	146.2	143.9	140.0	133.2	126.4
43	Principal payments	108.8	111.9	121.2	124.3	161.3	191.2	217.3
44	Services	2.7	2.4	2.2	4.6	4.6	4.5	4.4
45	Total debt service expenses	268.8	266.5	269.5	272.8	305.9	328.9	348.0
46								
47	Transfers In	837.2	1,034.5	1,096.4	1,043.9	1,064.7	1,121.3	1,154.3
48								
49	Net surplus (deficit)	-	-	-	(71.5)	(131.8)	(133.3)	(103.4)
50								
51	Net surplus (deficit) from:							
52	Operations	-	-	-	(71.5)	(131.8)	(133.3)	(103.4)
53	Capital Program	-	-	-	-	-	-	-
54	Debt	-	-	-	-	-	-	-
55	Net surplus (deficit)	-	-	-	(71.5)	(131.8)	(133.3)	(103.4)

Los Angeles County Metropolitan Transportation Authority
 FY08 Ten-Year Forecast
 FY2006 – FY2017
 Bus and Rail Operating and Capital
 Statements of Revenue and Expenses

(Amounts in millions)		FY13 Forecast	FY14 Forecast	FY15 Forecast	FY16 Forecast	FY17 Forecast	FY08-FY17 Total
1	Operating revenues:						
2	Passenger fares	384.9	390.9	400.9	406.7	419.5	3,758.4
3	Route subsidies	0.3	0.3	0.3	0.3	0.3	3.1
4	Advertising	31.8	31.8	31.8	31.8	31.8	285.5
5	Total operating revenues	417.0	423.0	433.0	438.8	451.6	4,047.0
6							
7	Operating expenses:						
8	Operating	1,147.7	1,185.4	1,237.4	1,286.3	1,338.5	11,391.3
9	General & administrative	251.3	259.9	273.6	283.5	296.9	2,469.7
10	Operating expenses, excluding depreciation:	1,399.0	1,445.3	1,511.1	1,569.8	1,635.4	13,861.0
11							
12	Operating loss	(982.0)	(1,022.2)	(1,078.1)	(1,131.0)	(1,183.9)	(9,814.0)
13							
14	External Operating subsidies and grants (other expenses):						
19	External operating subsidies, grants	220.8	196.8	209.5	212.9	227.8	2,121.0
20	Debt (expense)	-	-	-	-	-	(55.7)
23	Total operating subsidies and grants (other expenses)	220.8	196.8	209.5	212.9	227.8	2,065.3
24							
25	Gain (loss) before debt and capital items	(761.1)	(825.3)	(868.6)	(918.1)	(956.1)	(7,748.2)
26							
27	Debt service & capital grants / contributions:						
28	Local						
29	Capital	18.6	7.5	7.5	-	-	86.5
30	Debt service grants/other revenues	-	-	-	-	-	4.4
31	Proceeds from financing	330.7	411.6	271.7	144.4	72.1	1,694.6
32	State - capital	182.5	187.3	198.5	253.3	100.6	2,027.7
33	Federal - capital	105.2	105.3	119.6	104.3	86.7	1,137.0
34	Total debt service & capital grants / contributions	637.0	711.7	597.3	502.0	259.4	4,950.2
35							
36	Capital program:						
37	Operating capital	387.8	430.7	377.0	420.7	300.5	3,126.2
38	Major construction	410.1	416.7	351.8	216.7	111.3	3,516.1
39	Total capital program	797.9	847.4	728.8	637.4	411.8	6,642.3
40							
41	Debt service expenses:						
42	Interest expense	118.5	110.6	103.7	96.4	96.4	1,215.2
43	Principal payments	249.8	287.7	315.4	348.1	348.1	2,364.4
44	Services	4.3	4.2	4.1	3.9	3.9	40.6
45	Total debt service expenses	372.6	402.5	423.1	448.4	448.4	3,620.2
46							
47	Transfers In	1,197.1	1,277.6	1,328.2	1,385.1	1,417.3	12,085.9
48							
49	Net surplus (deficit)	(97.6)	(86.1)	(95.1)	(116.9)	(139.6)	(975.2)
50							
51	Net surplus (deficit) from:						
52	Operations	(97.6)	(86.1)	(95.1)	(116.9)	(139.6)	(975.2)
53	Capital Program	-	-	-	-	-	-
54	Debt	-	-	-	-	-	-
55	Net surplus (deficit)	(97.6)	(86.1)	(95.1)	(116.9)	(139.6)	(975.2)

Los Angeles County Metropolitan Transportation Authority
 FY08 Ten-Year Forecast
 FY2006 – FY2017
 Capital Program

(Amounts in millions)

	FY06 Actual	FY07 Budget	FY08 Budget	FY09 Forecast	FY10 Forecast	FY11 Forecast	FY12 Forecast
Capital Project Funds							
Revenues:							
Federal							
FTA 5307 Capital	\$ 64.1	\$ 10.7	\$ 9.3	\$ -	\$ -	\$ -	\$ -
FTA 5309 - Clean Fuel	4.7	5.8	1.6	4.0	4.0	4.0	4.0
FTA 5309 - Fixed guideways modernization	13.5	7.0	2.6	0.4	0.4	0.4	0.4
FTA 5309 - New starts	121.0	100.0	80.0	94.3	75.6	65.0	80.0
FTA 5340 - Growing States & High Density Formula	-	-	-	-	0.3	0.3	0.3
Congestion mitigation and air quality - CMAQ	55.0	61.0	30.8	83.0	31.7	-	-
Regional surface transportation program - STIP/RSTP	-	1.7	1.6	32.2	-	-	-
TEA	1.3	0.2	0.1	-	-	-	-
Other/Homeland Security	0.6	2.9	-	2.0	2.0	2.0	2.0
State							
State Transit Improvement Program - STIP	177.9	68.7	66.4	212.4	236.7	96.8	45.0
State Traffic Congestion Relief Funds - TCRP	15.0	98.8	141.3	122.0	42.9	22.0	22.0
SCAQMD/AB 2766	-	-	-	-	-	4.0	-
State Highway Account - SHA	0.2	0.2	0.2	-	-	-	-
State - Other/ Infrastructure Bond	-	-	-	-	-	16.7	77.1
Local							
Prop A	4.4	9.4	16.2	33.8	31.7	14.5	12.3
Prop C	6.2	44.3	68.9	12.1	21.7	40.9	47.5
TDA	20.9	39.6	87.5	106.1	147.7	147.6	114.7
STA	14.3	14.7	17.4	14.1	14.2	10.1	11.7
GF	(7.2)	3.8	2.7	3.6	-	-	2.0
City of L.A.	0.9	1.9	17.8	8.0	8.0	7.7	11.2
Other	0.9	0.3	-	-	-	-	-
Debt financing	(96.0)	156.5	100	20.8	16.7	129.8	199.7
Total revenues	397.7	627.4	644.7	748.9	633.7	561.7	629.9
Bus acquisitions	92.5	112.3	86.7	88.6	88.1	90.4	92.9
Continued Project	49.8	54.2	32.2	24.6	25.2	25.9	26.6
New Project	14.5	28.0	89.5	66.8	68.5	70.3	72.1
Total Bus	156.8	194.5	208.4	180.0	181.9	186.6	191.6
Rail							
New Project	-	-	-	9.4	9.6	9.9	10.1
Continued Project	29.7	23.7	28.0	11.0	11.3	11.6	11.9
Rail Rehab	-	-	-	15.0	15.0	17.0	101.2
Total Rail	29.7	23.7	28.0	35.4	35.9	38.4	123.2
Total Bus & Rail non- major construction	186.5	218.2	236.4	215.4	217.8	225.1	314.8
Major Construction							
Subway Railcar Midlife Overhaul	-	-	4.4	27.2	67.7	67.7	35.0
Expo/Blue Line Light Rail Vehicle Procurement	11.1	-	1.1	55.4	82.9	34.9	-
MGL Eastside Extension	134.3	214.0	170.0	120.4	15.6	-	-
Metro Orange Line	28.7	14.6	10.8	-	-	-	-
MidCity/Expo LRT - Phase I	9.0	119.1	167.1	239.8	137.6	7.8	-
MidCity/Expo LRT - Phase II	-	-	-	-	49.2	92.6	147.7
Metro Orange Line Bikeway	1.7	0.9	0.6	-	-	-	-
SFV North South Corridor Transit BRT	-	-	-	15.4	42.9	61.7	28.5
Canoga Station Park & Ride	14.4	12.0	1.9	-	-	-	-
Lnakershim Depot Restoration	-	1.3	1.7	-	-	-	-
LRY Fleet Enhancement (P2550)	5.7	39.0	22.6	73.8	8.0	6.7	1.3
MidCity/Wilshire Transit Corridor (BRT)	-	-	-	-	12.0	22.1	47.5
MGL Eastside Enhancement	1.8	1.8	17.2	1.4	-	-	-
Crenshaw LRT	-	-	-	-	-	43.2	55.2
Closeout Projects	4.5	6.6	10.7	-	-	-	-
Total Major Construction	211.2	409.2	408.2	533.5	415.9	336.7	315.1
Total expenditures	\$ 397.7	\$ 627.4	\$ 644.7	\$ 748.9	\$ 633.7	\$ 561.7	\$ 629.9
Surplus/(Deficit)							

Los Angeles County Metropolitan Transportation Authority
 FY08 Ten-Year Forecast
 FY2006 – FY2017
 Capital Program

(Amounts in millions)

	FY13 Forecast	FY14 Forecast	FY15 Forecast	FY16 Forecast	FY17 Forecast	Total FY08 - FY17	Deficit By Element	
Capital Project Funds								
1 Revenues:								1
2 Federal								2
3 FTA 5307 Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9.3	-	3
4 FTA 5309 - Clean Fuel	4.0	4.0	4.0	4.0	4.0	37.6	-	4
5 FTA 5309 - Fixed guideways modernization	0.4	0.4	0.4	0.4	0.4	6.2	-	5
6 FTA 5309 - New starts	80.0	80.0	94.1	80.0	80.0	809.0	-	6
7 FTA 5340 - Growing States & High Density Formula	0.3	0.3	0.3	0.3	0.3	2.4	-	7
8 Congestion mitigation and air quality - CMAQ	18.5	18.6	18.8	17.6	-	219.0	-	8
9 Regional surface transportation program - STIP/RSTP	-	-	-	-	-	33.8	-	9
10 TEA	-	-	-	-	-	0.1	-	10
13 Other/Homeland Security	2.0	2.0	2.0	2.0	2.0	18.0	-	13
14 State								14
15 State Transit Improvement Program - STIP	62.4	91.1	87.7	93.5	100.6	1,092.7	-	15
16 State Traffic Congestion Relief Funds - TCRP	-	-	-	-	-	350.2	-	16
17 SCAQMD/AB 2766	-	-	2.0	-	-	6.0	-	17
18 State Highway Account - SHA	-	-	-	-	-	0.2	-	18
19 State - Other/ Infrastructure Bond	120.1	96.2	108.8	159.8	-	578.7	-	19
20 Local								20
21 Prop A	19.6	20.1	28.3	27.0	27.7	231.2	-	21
22 Prop C	21.9	12.0	-	-	-	225.0	-	22
23 TDA	102.3	91.1	90.3	93.0	108.9	1,089.2	-	23
24 STA	17.1	12.5	12.8	15.4	15.8	141.2	-	24
25 GF	-	-	-	-	-	8.3	-	25
26 City of L.A.	18.6	7.5	7.5	-	-	86.3	-	26
27 Other	-	-	-	-	-	-	-	27
30 Debt financing	330.7	411.6	271.7	144.4	72.1	1,697.8	-	30
31 Total revenues	797.9	847.4	728.8	637.4	411.8	6,642.2	-	31
32								32
33 Bus acquisitions	95.5	98.2	101.1	103.8	106.5	951.8	-	33
34 Continued Project	27.3	28.0	28.7	29.4	30.2	278.1	-	34
35 New Project	74.0	75.9	77.9	79.9	82.0	757.1	-	35
36 Total Bus	196.8	202.1	207.7	213.2	218.7	1,987.0	-	36
37 Rail								37
38 New Project	15.3	15.7	16.1	16.6	17.0	119.7	-	38
39 Continued Project	21.4	22.0	22.5	23.1	23.7	186.5	-	39
40 Rail Rehab	154.3	190.9	130.6	167.8	41.1	832.9	-	40
41 Total Rail	191.0	228.6	169.3	207.5	81.8	1,139.2	-	41
42 Total Bus & Rail non-major construction	387.8	430.7	377.0	420.7	300.5	3,126.2	-	42
43 Major Construction								43
44 Subway Railcar Midlife Overhaul	-	-	-	-	-	202.0	-	44
45 Expo/Blue Line Light Rail Vehicle Procurement	-	-	-	-	-	174.4	-	45
46 MGL Eastside Extension	-	-	-	-	-	306.0	-	46
47 Metro Orange Line	-	-	-	-	-	10.8	-	47
48 MidCity/Expo LRT - Phase I	-	-	-	-	-	552.4	-	48
49 MidCity/Expo LRT - Phase II	268.1	185.8	55.4	-	-	798.8	-	49
50 Metro Orange Line Bikeway	-	-	-	-	-	0.6	-	50
51 SFV North South Corridor Transit BRT	3.4	1.5	52.1	30.7	-	236.2	-	51
52 Canoga Station Park & Ride	-	-	-	-	-	1.9	-	52
53 Inakershim Depot Restoration	-	-	-	-	-	1.7	-	53
54 LRV Fleet Enhancement (P2550)	-	-	-	10.2	31.3	153.9	-	54
55 MidCity/Wilshire Transit Corridor (BRT)	21.9	12.0	-	-	-	115.5	-	55
56 MGL Eastside Enhancement	-	-	-	-	-	18.7	-	56
57 Crenshaw LRT	116.7	217.4	244.3	175.8	80.0	932.6	-	57
58 Closeout Projects	-	-	-	-	-	10.7	-	58
59 Total Major Construction	410.1	416.7	351.8	216.7	111.3	3,516.1	-	59
60 Total expenditures	\$ 797.9	\$ 847.4	\$ 728.8	\$ 637.4	\$ 411.8	\$ 6,642.2	\$ -	60
61 Surplus/(Deficit)	-	-	-	-	-	-	-	61