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FINANCE AND BUDGET COMMITTEE
October 15, 2008

SUBJECT: FY09 TEN-YEAR FORECAST

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file the attached summary of the FY09 Ten-Year Forecast for the Enterprise Fund (bus and rail operating and capital forecast).

ISSUE

The ten-year financial forecast for our bus and rail operating and capital programs indicates deficits each year. 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 FY09 ten-year forecast indicates a deficit (operating and capital) of \$2,143.9 million through FY18. The FY08 ten-year forecast showed a \$975 million deficit for the ten years through FY17 and a \$131.8 million deficit for FY10. The FY09 update shows that the FY10 bus deficit will be \$134.1 million. The FY10 bus expenses increased by \$55.5 million due to the Board's decision to retain the proposed service changes, fuel price increases, and other new programs which were not in the previous forecast. The FY10 bus revenues increased by \$53.2 million of TCRP and Prop 1B funds for the FY10 bus buy which became available after the previous forecast was presented.

The ten-year forecast reflects only actual Board policy decisions and approved commitments through July 2008. 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 deemed to be fully funded as adopted in the Long Range Transportation Plan.

The forecast also indicates there are Proposition C40% and General Fund balances that could be applied to attempt to balance near-term operating and capital deficits. 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 FY09.

Staff will continue to look at service delivery to ensure that the system is serving the most people in the most efficient manner possible.

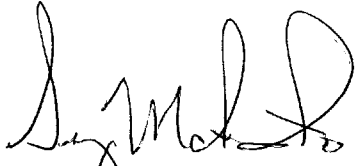
The ten-year forecast includes one additional fare increase, as approved by the Board, beginning July 1, 2009, for FY10. Periodic fare changes are required to bring the farebox recovery ratio up to an acceptable level commensurate with federal and state transit industry standards.

NEXT STEPS

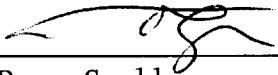
Use the FY09 Ten-year Forecast as the starting point for the FY10 budget and development of the Business Planning Parameters.

ATTACHMENT: Enterprise Fund Summary of Resources, Expenses and Resulting (Deficit)/Surplus Forecast for FY09 to FY18

Prepared by the Office of Management and Budget



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Chief Executive Officer

Enterprise Fund Summary of Resources, Expenses and Resulting (Deficit) / Surplus
Forecast For the FY09 - FY18
(\$'s in Millions)

	FY09 Budget	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	Ten Year Total
1											
2 Transit Operations											
3 Resources											
4 Operating Revenues											
5 Fares	\$ 326.4	\$ 360.0	\$ 370.6	\$ 375.8	\$ 382.7	\$ 389.7	\$ 395.8	\$ 407.5	\$ 414.2	\$ 420.9	\$ 3,843.6
6 Other Revenues	26.7	28.7	31.1	33.7	35.0	35.1	35.1	35.2	35.2	35.3	331.1
7 Operating Revenues	353.1	388.7	401.7	409.5	417.7	424.8	430.9	442.7	449.4	456.2	4,174.7
8 Intergovernmental											
9 Federal	213.5	194.5	230.7	234.3	223.6	194.0	207.7	220.2	223.4	201.2	2,143.1
10 State	-	-	-	-	-	-	-	-	-	-	-
11 Local	-	-	-	-	-	-	-	-	-	-	-
12 Total Intergovernmental	213.5	194.5	230.7	234.3	223.6	194.0	207.7	220.2	223.4	201.2	2,143.1
13 Subsidy Transfers In											
14 Prop A	193.1	202.4	197.6	204.5	202.7	193.3	184.6	178.8	178.8	180.7	1,916.5
15 Prop C	110.2	159.3	180.3	165.6	187.0	241.8	249.5	283.7	298.5	341.4	2,217.4
16 TDA	197.0	156.7	81.1	134.0	179.6	210.3	206.6	210.2	199.2	160.6	1,735.3
17 STA	163.6	78.1	69.3	73.3	74.5	78.1	81.8	88.7	87.7	89.5	884.5
18 General Fund	20.4	5.1	-	-	-	-	-	-	-	-	25.5
19 Total Subsidy Transfers In	684.3	601.6	528.3	577.4	643.8	723.5	722.5	761.4	764.2	772.2	6,779.2
20 Total Transit Operations Resources	1,250.9	1,184.8	1,160.7	1,221.2	1,285.1	1,342.3	1,361.1	1,424.3	1,437.0	1,429.6	13,097.0
21 Expenses - Transit Operations	1,250.9	1,318.9	1,397.7	1,431.4	1,472.0	1,514.8	1,562.5	1,646.2	1,702.6	1,763.9	15,060.9
22 Transit Operations (Deficit) / Surplus	\$ -	\$(134.1)	\$(237.0)	\$(210.2)	\$(186.9)	\$(172.5)	\$(201.4)	\$(221.9)	\$(265.6)	\$(334.3)	\$(1,963.9)
23 Capital											
24 Resources											
25 Intergovernmental											
26 Federal	\$ 148.6	\$ 167.6	\$ 91.9	\$ 104.5	\$ 104.5	\$ 122.2	\$ 302.7	\$ 177.5	\$ 106.0	\$ 6.0	\$ 1,331.5
27 State	298.6	477.4	141.3	120.8	242.1	100.9	88.6	95.4	96.8	50.8	1,712.7
28 Local	11.1	16.4	7.4	-	-	-	2.0	-	-	2.0	38.9
29 Total Intergovernmental	458.3	661.4	240.6	225.3	346.6	223.1	393.3	272.9	202.8	58.8	3,083.1
30 Subsidy Transfers In											
31 Prop A	55.7	52.5	25.4	22.7	23.2	25.7	24.2	27.8	28.4	29.1	314.7
32 Prop C	46.2	14.4	5.0	51.8	-	30.2	113.3	64.6	58.1	-	383.6
33 TDA	99.8	86.8	170.2	125.7	89.6	68.3	80.7	86.3	106.5	154.8	1,068.7
34 STA	21.2	0.6	12.3	8.5	9.0	7.0	5.0	-	-	-	63.6
35 Total Subsidy Transfers In	222.9	154.3	212.9	208.7	121.8	131.2	223.2	178.7	193.0	183.9	1,830.6
36 Bond Financing	27.7	44.3	129.9	119.8	358.8	550.8	324.3	298.9	168.0	128.2	2,150.7
37 Total Capital Resources	708.9	860.0	583.4	553.8	827.2	905.1	940.8	750.5	563.8	370.9	7,064.4
38 Expenses - Capital	708.9	860.0	583.4	553.8	917.2	995.1	940.8	750.5	563.8	370.9	7,244.4
39 Capital (Deficit) / Surplus	\$ -	\$ -	\$ -	\$ -	\$(90.0)	\$(90.0)	\$ -	\$ -	\$ -	\$ -	\$(180.0)
40 Debt											
41 Resources											
42 Subsidy Transfers In											
43 Prop A	\$ 159.2	\$ 169.4	\$ 175.4	\$ 182.5	\$ 194.8	\$ 215.2	\$ 234.8	\$ 249.1	\$ 260.7	\$ 270.7	2,111.8
44 Prop C	117.3	109.8	110.8	111.7	115.1	124.1	133.1	140.0	150.4	150.9	1,263.2
45 TDA	3.1	2.8	2.4	2.0	0.8	-	-	-	-	-	11.1
46 Local Revenues	2.2	-	-	-	-	-	-	-	-	-	2.2
47 Total Debt Resources	281.8	282.0	288.6	296.2	310.7	339.3	367.9	389.1	411.1	421.6	3,388.3
48 Expenses - Debt	281.8	282.0	288.6	296.2	310.7	339.3	367.9	389.1	411.1	421.6	3,388.3
49 Debt (Deficit) / Surplus	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
50 TOTAL ENTERPRISE FUND RESOURCES	2,241.6	2,326.8	2,032.7	2,071.2	2,423.0	2,586.7	2,669.8	2,563.9	2,411.9	2,222.1	23,549.7
51 TOTAL ENTERPRISE FUND EXPENSES	2,241.6	2,460.9	2,269.7	2,281.4	2,699.9	2,849.2	2,871.2	2,785.8	2,677.5	2,556.4	25,693.6
52 TOTAL ENTERPRISE FUND (DEFICIT)/SURPLUS	\$ -	\$(134.1)	\$(237.0)	\$(210.2)	\$(276.9)	\$(262.5)	\$(201.4)	\$(221.9)	\$(265.6)	\$(334.3)	\$(2,143.9)