



**Board Staff Briefing**  
**December 10, 2015**

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# RAM – Risk Allocation Matrix



# RAM Goals

- ▶ Ensure financial stability
- ▶ Mitigate projected deficit beginning in FY19
- ▶ Fostering culture of financial discipline throughout the agency
- ▶ **Funding Goal: \$300M each year**

# RAM Overview

## Risk Allocation Matrix (RAM)

- ▶ Strategic mix of cost savings and revenue generating opportunities
- ▶ Risk level (low/medium/high) assigned to each opportunity
- ▶ Timeline for implementation and when savings/revenues to be realized
- ▶ Funding/savings identified will be added to an Internal Savings Account (separated by fund eligibility)

# RAM Process

1. Introduce Agency-wide RAM Process and steps (August)
  - ▶ On-line training tools
2. Online system opens up to collect submissions
  - ▶ Risk Assessment
3. Reviewed all opportunities submitted by Agency
  - ▶ Reasonableness of financial data
  - ▶ All relevant data provided
  - ▶ Preliminary cost/benefit analysis
4. Meet with departments on each submission for clarification, implementation plans, and any other additional information
5. Discuss at SLT meetings

# Risk Evaluation

### Factors considered

- ▶ Under Metro’s jurisdiction/oversight/control
- ▶ Safety of passengers/employees
- ▶ Impact to riders
- ▶ Impact to other on-going projects and daily operating functions
- ▶ Conflicts with current objectives and goals
- ▶ Financial & Legal risks
- ▶ APTA Recommended
- ▶ Transit Best Practices
- ▶ Likelihood of success in implementation, adoption, and realization of savings/revenues
- ▶ Timeline for implementation

Risk Level	Conditions	Action
<b>L</b>	Minimal upfront costs Minimal impact to current operations	Move forward - begin implementation in FY16 May require separate Board action or approval Realize revenue/savings by FY18
<b>M</b>	Some risks but not significant Financial impact is not certain Some impacts, but mitigation efforts available	
<b>H</b>	Financial/legal risks high Significant impact to riders and public	Excluded from current discussions

# Submissions & Recommended Action

Submissions		184
Duplicates/Existing/ Capital Projects	Ideas did not meet definition of RAM idea (new initiatives to generate savings or revenues)	25
OMB Ideas for Consideration	Ideas with insufficient agency wide input/support: included contracting out functions, consolidating functions and opportunities to be consultants in expertise areas	33
Not feasible	Conflicts with current policies, unfavorable cost/benefit analysis, legal issues, insignificant increases that may increase costs, not enough information available	24
	<b>Eliminated</b>	<b>82</b>
<b>Continue with idea – Not included in RAM</b>	<ul style="list-style-type: none"> <li>▪ Good ideas that did not generate revenues or cost savings or could not be easily quantifiable</li> <li>▪ Should be done anyway with current resources</li> <li>▪ Continue to consider until financial impact can be quantified and result in deposit into RAM</li> </ul>	<b>20</b>
<b>Deferred RAM Ideas</b>	<ul style="list-style-type: none"> <li>▪ High risk options that require further assessment</li> <li>▪ Items excluded from current discussions based on agency wide feedback (may be reconsidered in later RAM cycles)</li> </ul>	<b>28</b>
<b>RAM New Ideas</b>	<ul style="list-style-type: none"> <li>▪ Low and Medium risk options to be implemented</li> <li>▪ May require policy changes that will be brought to Board for approval</li> <li>▪ <u>Estimated savings/revenue realization of \$171M in FY17 and \$89M in FY18</u></li> </ul>	<b>54</b>

**Recommended Action:** Direct CEO to implement all low/medium risk options with savings/revenues to be deposited into the internal savings account



# RAM New Ideas

	Est. FY17 Realization	Est. FY18 Realization
CEO Authority	\$ 71,404,490	\$ 54,711,100
Board Action	100,000,000	34,673,333
<b>Est. Revenues/Savings</b>	<b>\$ 171,404,490</b>	<b>89,384,433</b>



## Board Action

*Requires changes to existing policies, approval of contract award, or public hearing*

- Transit Service Policy
- Financial Stability Policy
- Sponsorship Policy
- Fares (BTAP, ITAP, RRTP)
- Transit Security contract
- Advertising contracts

- Reducing reserves (\$100M)
- Reallocation of funds (\$35M)
- Service rationalizations and transit operations efficiency improvements (\$27M)

## Potential for large RISA deposits not included:

- Expo 2 Savings
- Advertising initiatives where \$ impact cannot be quantified (i.e. station/line naming)
- Sale/lease of unused/excess properties
- Initiatives for repurposing transit property for revenue generation (i.e. increased concessions, vending machines)

**Recommended Action:** Direct CEO to return to the Board on those options requiring policy changes or Board action before implementing each initiative

# New Ideas Worksheet

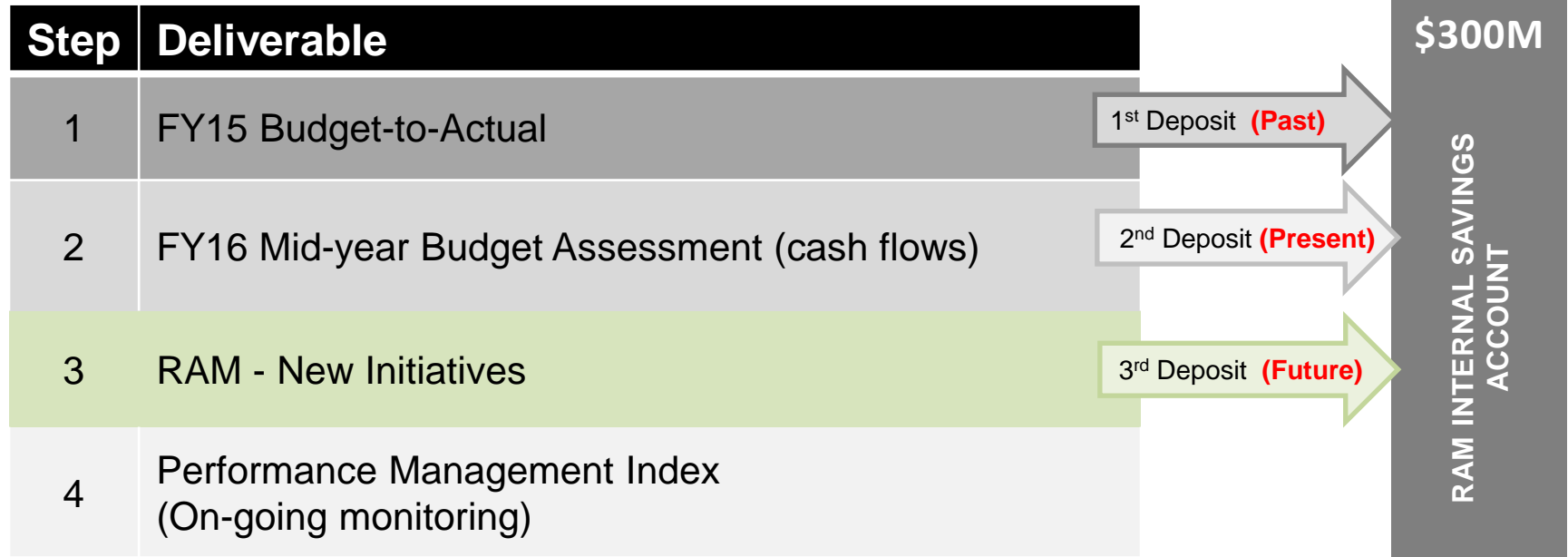
- ▶ See attached worksheet
- ▶ Detailed List of RAM Opportunities

# RISA – RAM Internal Savings Account



# RAM Internal Savings Account (RISA)

- ▶ RISA will become a separate funding source (by fund eligibility)
- ▶ Withdrawals will include funding source



- ▶ On-going process to develop and collect new ideas annually
- ▶ Monitoring the achievement of these savings

**Recommended Action:** Establish internal savings account

# RISA Deposits

(\$ in millions)	Estimated RISA Deposits	
	FY17	FY18
	<i>Operating &amp; SGR Eligible</i>	
1 <sup>st</sup> Deposit (FY15 Variance)	\$ 25.7	
2 <sup>nd</sup> Deposit (FY16 Mid-Year)	4.5	
3 <sup>rd</sup> Deposit (RAM-New Ideas)	Low	63.5
	Medium	107.9
<b>Total Estimated RISA Deposits</b>	<b>\$ 201.6</b>	<b>\$ 89.4</b>

- ▶ RAM opportunities are operating & SGR eligible funds
- ▶ Revenues and savings generated may be one-time or on-going
- ▶ Deposits are estimates, actual deposits will depend on implementation and realization

# RISA Eligible Uses

- ▶ GOAL is to prudently use scarce operating eligible funds
- ▶ The first priority is to maintain financial stability and mitigate operating deficit

Eligible Uses (in order of priority)	Criteria
1. Operating Deficit	<ul style="list-style-type: none"><li>&gt; Funding core transportation system (Annual budget and 10-yr Forecast as Baseline)</li><li>&gt; Efficiency/Performance Criteria to determine if funding is necessary</li></ul>
2. State of Good Repair	<ul style="list-style-type: none"><li>&gt; Critical need<ul style="list-style-type: none"><li>▪ Absolutely necessary to keep system safe and operational</li></ul></li><li>&gt; Establish baseline for State of Good Repair<ul style="list-style-type: none"><li>▪ Minimum/Maximum threshold based on:<ol style="list-style-type: none"><li>1. Performance</li><li>2. Life span defined by FTA guidelines</li><li>3. Manufacturer recommended</li></ol></li></ul></li></ul>
3. Transit Capital Projects	<ul style="list-style-type: none"><li>&gt; Acceleration of project completions (no impact to project sequence)</li><li>&gt; Funding shortfalls</li></ul>

**Recommended Action:** Approve internal savings account withdrawal criteria and eligible priority uses

# Withdrawals from RISA

## Authority for Withdrawal

- ▶ CEO will have authority to withdraw funds for approved eligible uses:
  - ▶ in order of specified priority
  - ▶ within current Board-approved budget authority
  - ▶ in accordance with agency policies
- ▶ Use of funds not specified as eligible and/or beyond Board-approved budget authority will require unanimous Board approval

## Tracking of RISA Activities

- ▶ Compliance of withdrawals/usage with governing “color of money” requirements will be carefully monitored
- ▶ Statement of Activities detailing all deposits and withdrawals from RISA will be presented to the Board

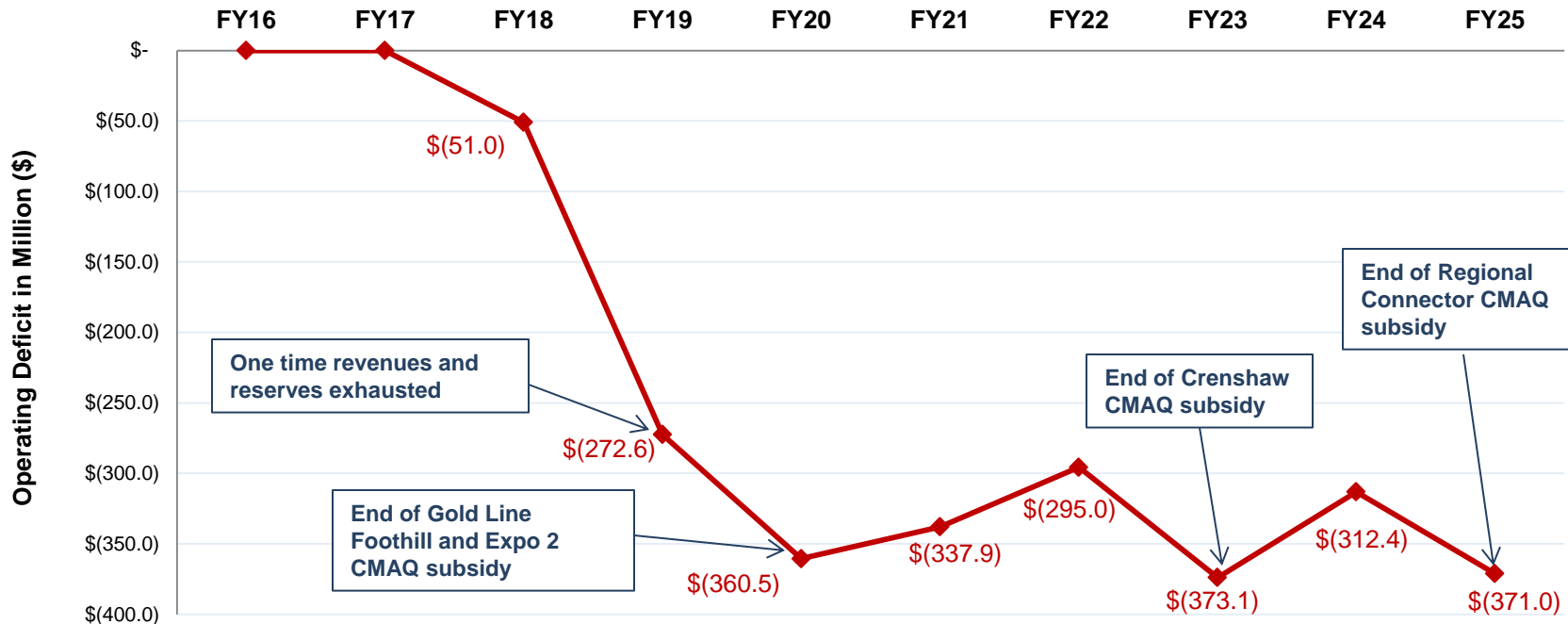
# Financial Forecast





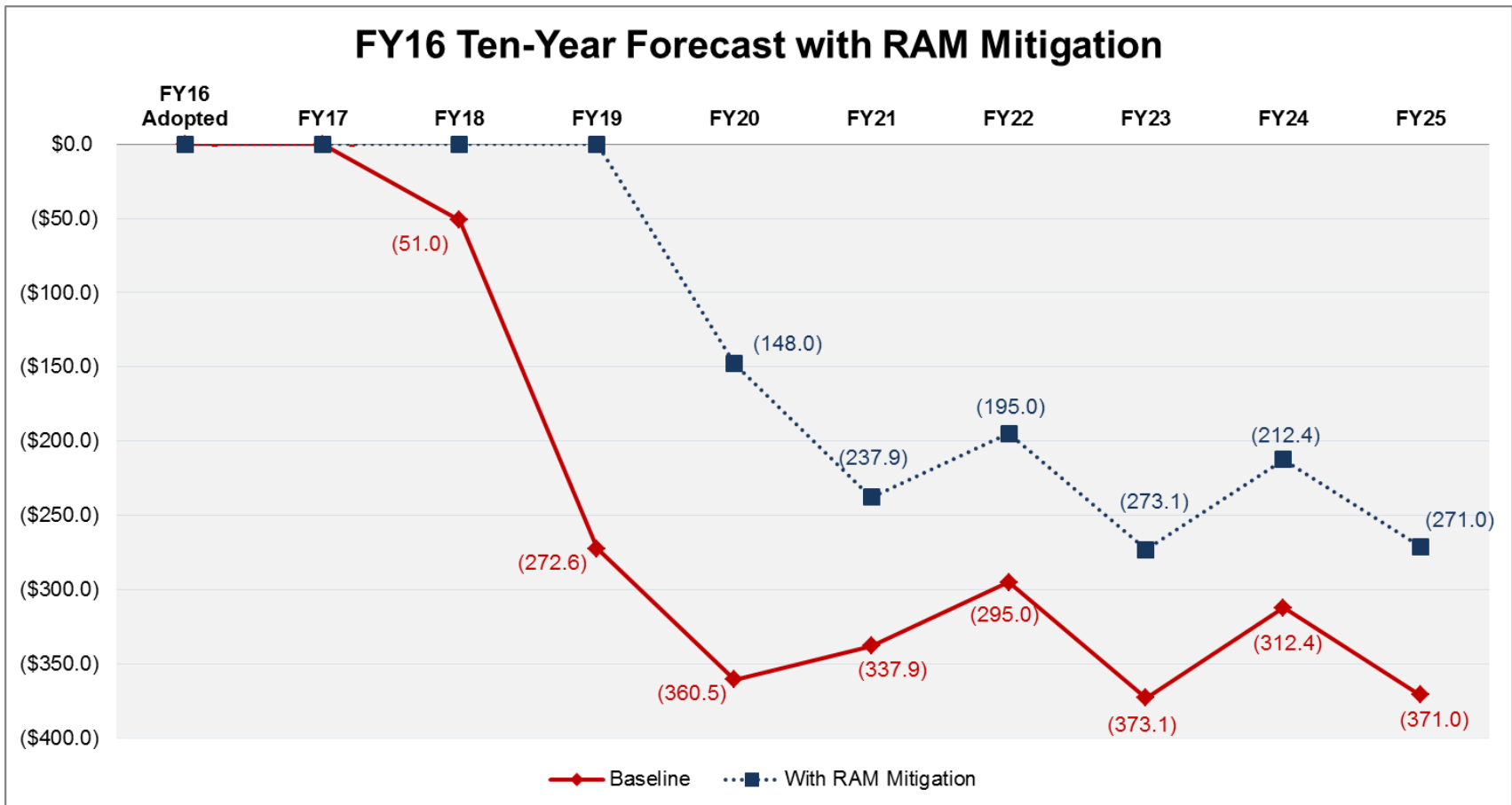
# Financial Forecast

Enterprise Fund Operating Deficit  
Ten-Year Forecast  
(FY16 Adopted thru FY25)



- ▶ Operating Costs grow an average of +4.32%/year which is significantly more than the growth rate for on-going, operating eligible funding (only +2.59%/year).
- ▶ This imbalance eventually uses up one-time reserves and forces Metro into a deficit position.

# RAM Impact to Forecast



- ▶ RAM Mitigation assumes that all RISA funds will be used to mitigate deficit
- ▶ With implementation of RAM new ideas:
  - ▶ Deficit is delayed from FY18 to FY20
  - ▶ FY20 projected deficit reduced by 59%

# Recommendations & Next Steps

- ▶ **Action plan for implementing RAM opportunities**
  - ▶ Develop process for measuring/monitoring achievement
  - ▶ Reporting to CEO our progress in attaining these savings/revenues
  
- ▶ **RISA is a continuous process**
  - ▶ Develop mechanism and guidelines for:
    - Continuous process improvements for savings
    - Monitoring performance of initiatives that have been implemented
    - Ongoing submission of new cost savings and revenue generation opportunities
  
- ▶ **Recommendations for January Board Report**
  1. Establish Internal Savings Account
  2. Direct CEO to implement all low/medium risk options with savings/ revenues to be deposited into RISA
  3. Direct the CEO to return to the Board on those options requiring policy changes or Board action before implementing each initiative
  4. Approve RISA Withdrawal Criteria and eligible priority uses