

FY08 Proposed Budget


Board Workshop

June 13, 2007



Metro

FY08 Budget Schedule

- **Thursday, May 24th**
 - Fare Hearing and Fare Adjustment
- **Tuesday, June 5th**
 - Distribution of Proposed Budget to the Public
-  • **Wednesday, June 13th**
 - Board Workshop for Board of Directors
- **Wednesday, June 20th**
 - Finance and Budget Committee Meeting - Public Hearing
- **Thursday, June 28th**
 - Board Meeting – Budget Adoption

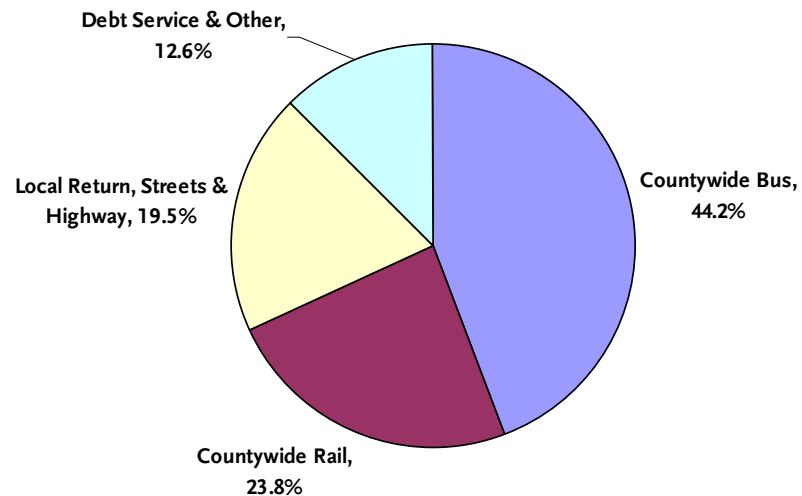
FY08 Proposed Budget Expenditure by Program

(Dollars in Millions)	FY04 Actual		FY05 Actual		FY06 Actual		FY07 Budget		FY08 Proposed	
1 Countywide Bus										
2 Metro Bus Operating & Capital	\$933.0	41.1%	\$1,078.0	41.0%	\$1,018.5	39.7%	\$1,110.0	36.6%	\$1,138.3	36.5%
3 Muni & Paratransit ⁽¹⁾	240.9	10.6%	260.4	9.9%	242.2	9.4%	241.4	8.0%	254.0	8.1%
4 Countywide Bus Subtotal	1,173.9	51.8%	1,338.4	51.0%	1,260.7	49.2%	1,351.5	44.5%	1,392.3	44.6%
5 Countywide Rail										
6 Metro Rail Operating, Capital & Construction	280.4	12.4%	468.1	17.8%	432.2	16.8%	646.5	21.3%	683.6	21.9%
7 Metrolink	39.6	1.7%	42.1	1.6%	45.5	1.8%	57.0	1.9%	58.5	1.9%
8 Countywide Rail Subtotal	320.0	14.1%	510.2	19.4%	477.7	18.6%	703.4	23.2%	742.1	23.8%
9 Local Return, Streets & Highway	396.4	17.5%	419.3	16.0%	479.9	18.7%	591.7	19.5%	592.1	19.0%
10 Debt Service ⁽²⁾ & Other	377.7	16.7%	358.7	13.7%	346.7	13.5%	389.5	12.8%	394.4	12.6%
11 Total Expenditures	\$2,268.0	100.0%	\$2,626.7	100.0%	\$2,565.1	100.0%	\$3,036.1	100.0%	\$3,120.9	100.0%

(1) ASI Paratransit: federal amounts included in prior years have been excluded in FY06, FY07 and FY08 because ASI will receive federal funds directly.

(2) Includes principal liability payments and Benefit Assessment District debt payments, but excludes debt refunding and defeased lease. Proprietary fund includes principal payments of \$16.3 million in FY04, \$12.0 million in FY05, \$12.0 million in FY06, \$12.1 million in FY07 and \$12.3 in FY08.

Note: Totals may not add due to rounding.

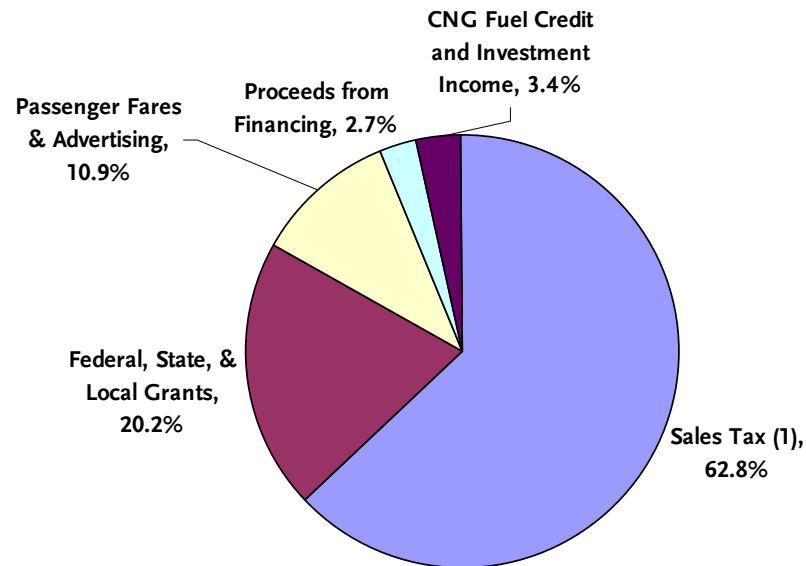


FY08 Proposed Budget Sources

(Dollars in Millions)		FY04 Actual		FY05 Actual		FY06 Actual		FY07 Budget		FY08 Proposed ⁽²⁾	
1	Sales Tax ⁽¹⁾	\$1,514.0	66.8%	\$1,587.5	60.4%	\$1,436.6	56.0%	\$1,881.5	62.0%	\$1,960.4	62.8%
2	Federal, State, & Local Grants	377.2	16.6%	488.5	18.6%	702.8	27.4%	596.4	19.6%	629.8	20.2%
3	Passenger Fares & Advertising	233.4	10.3%	284.2	10.8%	297.8	11.6%	294.8	9.7%	340.4	10.9%
4	Proceeds from Financing	82.4	3.6%	185.6	7.1%	42.6	1.7%	193.3	6.4%	83.9	2.7%
5	CNG Fuel Credit and Investment Income	61.0	2.7%	80.8	3.1%	85.3	3.3%	70.1	2.3%	106.4	3.4%
6	Total Funding Sources	\$2,268.0	100.0%	\$2,626.7	100.0%	\$2,565.1	100.0%	\$3,036.1	100.0%	\$3,120.9	100.0%

⁽¹⁾ Sales tax revenues include the use of carryover balances.

⁽²⁾ Reflected fare changes adopted on May 24,2007; therefore, does not match the Proposed Budget Book



FY08 Proposed Budget Highlights

- **Purchase 95 Articulated buses**
- **Initiate bus mid-life rebuild program for 250 buses**
- **Implement 5 new Metro Rapid lines in December 2007**
- **Increase Orange Line service**
- **Continue construction of Expo LRT and Eastside Extension LRT**
- **Implement TAP operations**
- **Implement fuel price hedging**

FY08 Proposed Budget Highlights – Cont'd

- **Initiate or continue planning studies:**
 - **Canoga North/South Orange Line Extension EIR**
 - **Crenshaw Transit Corridor EIS/EIR**
 - **SR 134 Soundwalls**
 - **Long Range Transportation Plan update**
 - **State Route 2 EIS/EIR**
 - **Multi-County Goods Movement Action Plan**
- **Double Immediate Needs program to \$10 million**

FY08 Proposed Budget Assumptions

- **Sales tax revenue increased 4%**
- **Fare revenues increased as a result of fare change adopted on May 24, 2007**
- **Salary and wage expense increased by 3.5% consistent with Union Contracts**
- **Non-labor expense items budgeted at FY07 budget level**

FY08 Proposed Budget Assumptions (con't)

- **FTE's increased by 41**
- **New FTE's added only when offset by another expense**

FY08 Proposed FTE Changes

	Department	Contract	Non-Contract	Total Change	Comments
1	Communications	6		6	Transfer of Sign Shop responsibilities to Communications from Facilities Maintenance
2	Facilities	(6)		(6)	
3	Treasury	3		3	Cash room clerks offset by overtime reduction
4	Procurement and Material Management	3	2	5	Stock clerks for Bus Rebuild capital project; inventory control offset by parts reduction
5	Transit Operations - Non Sectors	(8)	4	(4)	Reduced 6 Schedule Checkers and 2 AFSCME positions; added 3 FTE's for ATMS data evaluation, 1 FTE for performance reporting
6	Central Maintenance	36	1	37	Bus Rebuild capital project
7	Total	34	7	41	

FY08 Proposed Labor Budget

	(Dollars in Millions)	FY07 Budget	Change	%	FY08 Proposed
1	Non Contract				
2	FTE	1,267	7	0.6%	1,274
3					
4	Payroll	\$96.9	\$5.2	5.4%	\$102.1
5	Overtime	0.3	-	-	0.3
6	Benefits	38.0	(3.7)	-9.8%	34.3
7	As-needed, Intern & TDP	4.2	0.2	4.1%	4.3
8	Non Contract Labor	139.3	1.7	1.2%	141.0
9					
10	Contract				
11	FTE	7,730	34	0.4%	7,764
12					
13	Payroll	372.5	15.4	4.1%	387.9
14	Overtime	77.4	5.5	7.2%	83.0
15	Benefits	175.2	10.6	6.0%	185.8
16	Contract Labor	625.2	31.5	5.0%	656.7
17					
18	Agency-wide				
19	FTE	8,997	41	0.5%	9,038
20					
21	Payroll	469.4	20.6	4.4%	490.0
22	Overtime	77.7	5.5	7.1%	83.3
23	Benefits	213.2	6.8	3.2%	220.1
24	As-needed, Intern & TDP	4.2	0.2	4.1%	4.3
25	Total	\$764.5	\$33.2	4.3%	\$797.7

FY08 Deficit Reduction

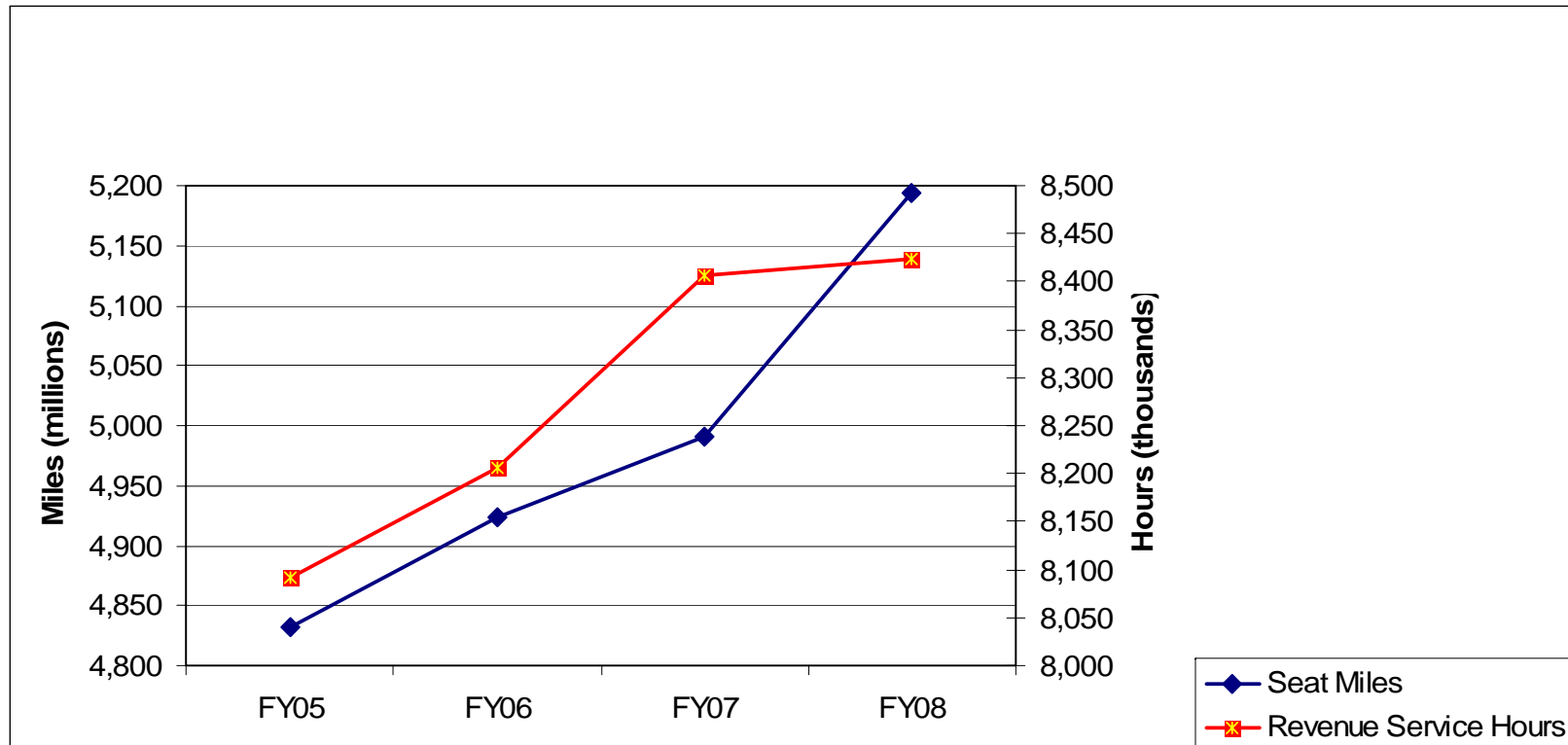
	Amounts (in Millions)
1 Beginning deficit	
2 Structural deficit in FY07 10-year forecast	(\$104.7)
3 Update revenue forecast to reflect FY06 carryover revenues	22.1
4 Update expense forecast to reflect FY08 budget reductions	12.5
5 Structural deficit in FY08 Proposed Budget book	(70.1)
6	
7 Deficit reduction measures	
8 Fare changes	32.0
9 Rail fare revenue	(5.2)
10 Use PC40% from rail in bus capital program	5.2
11 CNG fuel credit	35.0
12 Additional advertising revenues	4.1
13 FAP two-year lag adjustment	(1.0)
14 Subtotal deficit reduction	70.1
15	
16 Ending Deficit	\$0.0

Bus and Rail Fare Revenues

	FY05	FY06	FY07	FY07	FY08	
(Amounts in Millions, except for Fare Revenue/Boarding)	Actual	Actual	Budget	Forecast	Proposed *	Change
1 Boardings	452.0	483.5	466.9	492.2	475.3	-3.4%
2 Fare Revenues	\$269.6	\$279.2	\$278.5	\$284.6	\$321.5	13.0%
3 Fare Revenue/Boarding	\$0.60	\$0.57	\$0.60	\$0.58	\$0.68	17.2%
4 Farebox Recovery Ratio	28.9%	26.5%	24.7%	25.2%	27.8%	

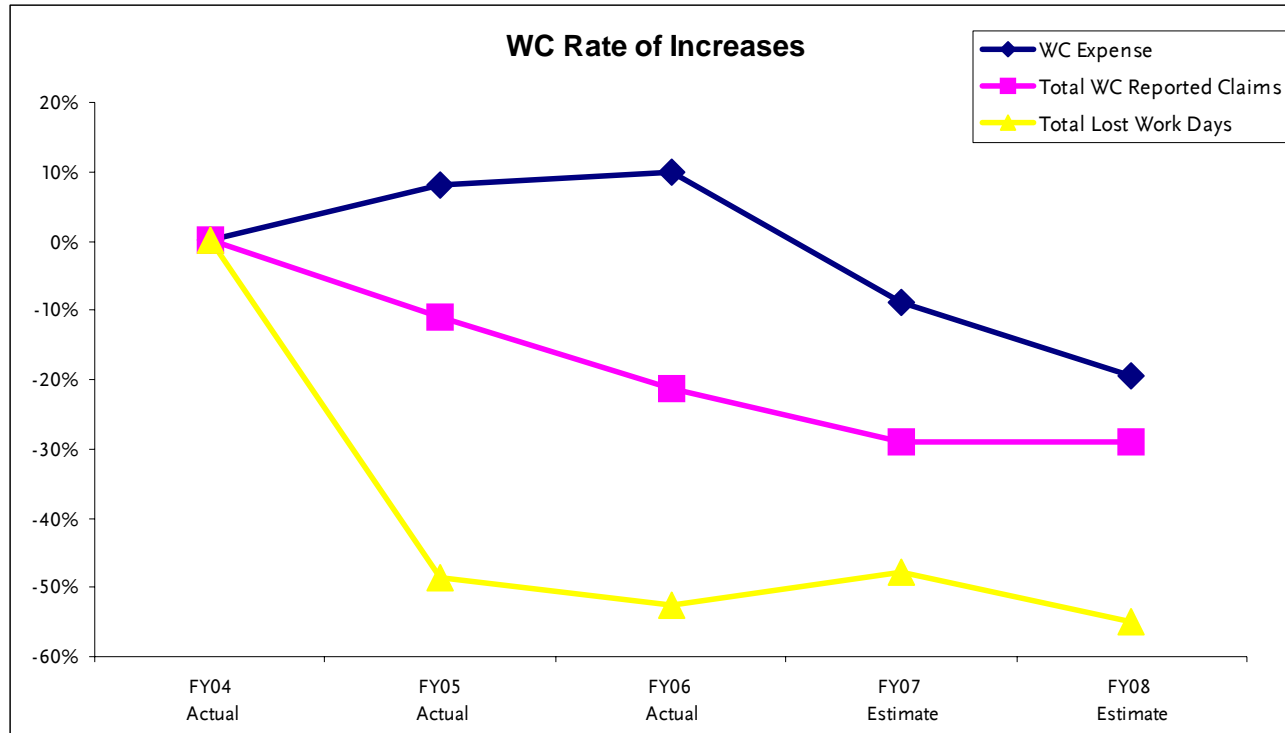
* Adjusted to reflect fare change adopted on May 24,2007

Bus & Rail Revenue Service Hours & Seat Miles



FY05 & FY06 are actual; FY07 is estimated actual, and FY08 budget includes fare increase

Workers' Compensation



	FY04 Actual	FY05 Actual	FY06 Actual	FY07 Estimate	FY08 Estimate
1 WC Expense (in Millions)	\$55.6	\$60.1	\$61.2	\$50.7	\$44.8
2 Total WC Reported Claims	1,607	1,432	1,266	1,140	1,140
3 Total Lost Work Days	111,260	57,308	52,719	58,041	50,083

PL/PD and Insurance Expenses

(Dollars in Millions)		FY06 Actual	FY07 Estimate	FY08 Estimate
1	PL/PD Provision	\$38.0	\$38.4	\$50.8
2	PL/PD Administration	\$3.7	\$4.2	\$3.5
3	PL/PD Expense Total	\$41.7	\$42.5	\$54.3
4				
5	Insurance Premium	9.6	9.0	9.9
6	Total PL/PD and Insurance	\$51.3	\$51.6	\$64.2
7	Total Change %	-	0.5%	24.6%

FY08 Proposed Capital Program

- **Major construction: \$241 million**
- **Bus and rail capital program: \$236 million**
- **Expo LRT phase I: \$168 million**

Capital Project LOP Approval

- **Advanced Transportation Management System Upgrade**
 - LOP = \$12.1 million
 - FY08 Amount = \$1.7m bus eligible
 - System improvements and upgrades for BOC workstations; disaster recovery voice system; ATMS mobile units; site and tower replacements; software enhancements

Capital Project LOP Approval

- **Divisions 1,3,8,9,15 Improvements**
 - LOP = \$13.7 million
 - FY08 Amount = \$7 million – (BOS approved)
 - Modernization and replacement of equipment such as bus washers, underchassis washers, bus exhaust systems, storage facilities, extension of pits for 60' buses, yard lighting and security upgrades, etc.

Capital Project LOP Approval

- **Bus System Support Replacement Non-Revenue Vehicles**
 - LOP = \$10.8 million
 - FY08 Amount = \$10.8 million bus eligible
 - Required to comply with replacement policy; sedans and light duty vehicles at 6 years or \$100,000 miles; medium to heavy-duty trucks replaced at 6 years or 150,000 miles

Capital Project LOP Approval

- **Bauchet Street Storage & Facilities Maintenance Shop**
 - LOP = \$12.9 million
 - FY08 Annual amount = \$4.6 million (half bus bonds and half rail bonds)
 - Request is to purchase one additional parcel and construct a 60,000 sq. foot structure to accommodate former South Park operations, bus and rail storage, property maintenance, and Stops and Zones

Capital Project LOP Approval

- **Expo & Metro Blue Line Light Rail Vehicles**
 - LOP = \$174.5 million
 - FY08 Amount = \$1.1 million STIP Augmentation
 - 16 LRV's designated for the Expo Line; 34 LRV's designated for Blue Line replacements which will exceed 20 years at the time of receipt of the new vehicles

Capital Project LOP Approval

- **Metro Red Line Heavy Rail Vehicles Refurbishment**
 - LOP = \$202 million
 - FY08 Annual Amount = \$4.4 million Rail Bonds
 - Overhaul of 104 vehicles to include brakes, propulsion, doors, couplers, traction motors, drive gearboxes, axle/wheel assemblies, pneumatics, air conditioning, signaling, communications, interiors, etc.

Subsidy and Regional Programs

	(Dollars in Millions)	FY06 Actual	FY07 Budget	FY08 Proposed
1	Transit Operator Programs ⁽¹⁾	\$622.1	\$657.0	\$744.0
2	ADA/Accessibility Funding Programs	34.6	38.2	46.2
3	Call for Project and Local Return	433.6	504.0	507.6
4	Immediate Needs ⁽²⁾	5.0	5.0	10.0
5	Other Local Projects	5.2	18.4	15.4
6	Commuter Rail and Intercity Rail	45.3	52.3	58.2
7	Total	\$1,145.8	\$1,274.9	\$1,381.5

⁽¹⁾ FY08 includes Metro's share of MOSIP

⁽²⁾ Reflects Board Motion to increase Immediate Needs program by \$5 million as a result of fare change adoption on May 24, 2007.

FY08 Proposed Regional/Subsidy Programs

- **Local return funding to cities: \$302 million**
- **Access Services Inc: \$28 million local match**
- **Metrolink: \$58 million**
- **Prior years Call for Projects: \$206 million**
- **Transit Operators Formula Allocation Program: \$744 million**
- **Incentive program: \$18 million**
- **Immediate Needs program: \$10 million**

Estimated Ending FY08 Fund Balances

	(Amounts in Millions) **	FY06 Actual	FY07 Estimated	FY08 Estimated
1	Proposition A			
2	Local Return	\$5.8	\$0.0	\$0.0
3	Rail Set Aside	67.5	88.2	34.0 *
4	Discretionary	3.2	58.5	-
5	Incentive	20.6	20.1	15.2
6	Interest	0.7	1.9	3.1
7	Subtotal Proposition A	97.9	168.8	52.3
8	Proposition C			
9	Local Return	4.9	-	-
10	Commuter Rail	50.2	39.3	28.6
11	Discretionary	105.9	72.3	162.3 *
12	Street & Highways	192.7	68.3	-
13	Security	6.7	8.8	4.7
14	Interest	(1.7)	0.7	2.1
15	Subtotal Proposition C	358.7	189.5	197.8
16	Transportation Development Act			
17	Article 3	0.5	0.5	-
18	Article 4	22.1	22.1	-
19	Article 8	1.3	1.3	-
20	Interest	-	-	-
21	Subtotal Subtotal Proposition C	23.9	23.9	-
22	State Transit Assistance			
23	Revenue Share	12.8	13.9	-
24	Population Share	8.7	9.2	-
25	Interest	-	-	1.3
26	Subtotal State Transit Assistance	21.5	23.1	1.3
27	Prop. A, C, TDA Administration	6.5	0.9	4.8
28	SAFE	32.5	19.3	7.3
29	General Fund	45.4	51.0	49.8
30	ROW Leases	71.3	57.6	62.1
31	CNG Fuel Credits	-	15.3	35.7 *
32	Total	\$657.5	\$549.4	\$411.1

* Committed or partially committed to projects

** Excludes debt and fiduciary fund balances

Budget Risks

- **Maintenance costs of CNG buses**
- **TAP implementation**
- **Homeland security**
- **Fare revenue estimate**
- **Inadequate oversight to ensure financial accountability**

Discussion