



Metro

Los Angeles County
Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

213.922.2000
metro.net

18

**FINANCE AND BUDGET COMMITTEE
JANUARY 14, 2009**

SUBJECT: FY10 BUDGET

ACTION: APPROVE THE BUSINESS PLANNING PARAMETERS

RECOMMENDATION

Approve the following FY10 Business Planning Parameters:

- A. Sales tax revenues forecast of \$649.0 million each for Prop A and C, a decrease of \$51.3 million each from the FY09 budget and \$380.3 million for Measure R based on partial year receipts due to State Board of Equalization remittance procedures.
- B. TDA revenue forecast of \$323.5 million, a decrease of \$28.5 million from the FY09 budget.
- C. No State Transit Assistance (STA) revenues forecast for the Los Angeles region, a decrease of \$227.1 million from the FY09 budget.
- D. Fares forecast at \$342.0 million based on 5.5% ridership growth over the FY09 budget, including Eastside Extension ridership.
- E. The resulting farebox recovery ratio is forecast at 26.4%. The fare revenue per boarding is forecast at \$.66 per boarding.
- F. CNG fuel credits were extended through December 2009 providing \$10.2 million for FY10, an increase of \$5.1 million over the Ten-Year forecast.
- G. The DWP settlement provided \$8.2 million of one time revenues for operations.
- H. The DWP settlement made \$8.9 million available for capital projects designed to lower energy demand or consumption, of which \$1.7 million is planned to pay the annual capital lease on the new MSSC solar energy project.
- I. No new FTE's will be added to the work force with the following exceptions: Eastside Extension rail operations; and for Measure R, Prop 1B, Interstate 405, and Congestion Reduction Demonstration Pricing projects and programs.
- J. Rail revenue service hours (RSH) are planned to increase by 62,371 hours for the Eastside Extension.
- K. Restructure bus service to eliminate unproductive and duplicative bus services by 100,000 RSH in June and 60,000 RSH in December.
- L. No wage increases are forecast except for AFSCME and Teamster employees who will receive increases in accordance with their respective collective bargaining agreements.

ISSUE

The Financial Stability Policy adopted by the Board in January 2007 requires that the Board establish Business Planning Parameters that will be used by management as a framework for developing the following year's budget. The Business Planning Parameters include sales tax growth assumptions, levels of service, farebox recovery ratio and other key measurement goals to provide detailed guidance for development of the upcoming annual budget.

DISCUSSION

The purpose of the Business Planning Parameters is to lay the groundwork for development of the FY10 budget and establish business targets for management to achieve. The Business Planning Parameters, as recommended, intend to reduce costs and balance revenues for FY10 while maintaining high quality, reliable and safe bus and rail service. A summary of the proposed Business Planning Parameters compared to FY08 actuals and FY09 budget is included as Attachment A.

FINANCIAL IMPACT

Currently, the FY10 deficit is forecast to be \$281.4 million. A combination of strategies is required to produce a balanced budget for FY10. Adoption of the Business Planning Parameters will provide guidance for development of the FY10 budget and provide the framework to begin the process of eliminating the structural deficit identified in the FY09 Ten-Year forecast. The preliminary impacts of the proposed Business Planning Parameters on the FY10 deficit are included as Attachment B.

ALTERNATIVES CONSIDERED

The Board could decline to adopt the Business Planning Parameters or could adopt different parameters. The budget planning process for the FY10 budget will begin with expenditure targets set by executive management in February. If the Board does not adopt the Business Planning Parameters, it could delay the budget development process.

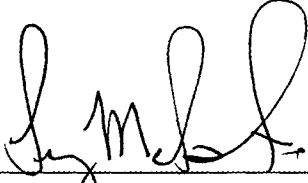
NEXT STEPS

Develop the FY10 budget proposal in accordance with the adopted Business Planning Parameters for presentation to the Board in May 2009.

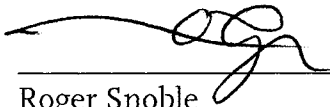
Attachments:

- A. Summary of Business Planning Parameters
- B. Impact of Proposed Business Planning Parameters on FY10 Deficit

Prepared by: Michelle Lopes Caldwell
Executive Officer, Office of Management & Budget.



Terry Matsumoto
Chief Financial Services Officer and Treasurer



Roger Snoble
Chief Executive Officer

Attachment A:

Summary of FY10 Business Planning Parameters

ASSUMPTIONS	FY08 Actuals	FY09 Adopted Budget	FY10 Assumptions
Revenues (Dollars in Millions)			
1 Sales Tax Revenues (A,C,TDA)	\$ 1,707.4	\$ 1,753.1	\$ 1,622.1
2 % Change - Sales Tax Revenues	-0.6%	2.7%	-7.5%
3 Sales Tax Revenues - Measure R	n/a	n/a	\$ 380.3
4 Total Sales Tax Revenues	\$ 1,707.4	\$ 1,753.1	\$ 2,002.4
5 % Change - Total Sales Tax	-0.6%	2.7%	14.2%
6 State Transit Assistance (STA)	\$ 93.9	\$ 227.1	\$ -
7 Fare Revenues	\$ 328.8	\$ 326.4	\$ 342.2
8 Fare Per Boarding	\$ 0.66	\$ 0.66	\$ 0.66
9 Bus Advertising Revenue	\$ 19.1	\$ 21.3	\$ 23.4
10 Rail Advertising Revenue	1.5	2.3	2.2
11 Total Advertising Revenues	\$ 20.6	\$ 23.6	\$ 25.6
Service Delivery (In Thousands)			
12 Bus Revenue Service Hours (RSH)	7,674	7,618	7,458
13 Orange Line RSH	102	102	102
14 Light Rail RSH	383	395	457
15 Heavy rail RSH	268	269	269
16 Total RSH - All Modes	8,427	8,383	8,286
17 % RSH Change		-0.5%	-1.2%
18 Bus Seat Capacity	108,240	108,105	108,185
19 % Change - Seat Capacity		-0.1%	0.1%
20 Bus Boardings	388,645	399,300	406,966
21 Orange Line Boardings	7,456	7,352	7,793
22 Light Rail Boardings	43,103	41,456	52,404
23 Heavy Rail Boardings	43,585	40,166	49,587
24 Total Boardings - All Modes	482,788	488,274	516,750
25 % Change - Boardings		1.1%	5.5%
Expenses (Dollars in Millions)			
26 CPI	2.5%	2.7%	1.8%
27 Fuel & Propulsion Power	\$75.0	\$85.1	\$100.7
28 % Change - Fuel Costs		13.43%	18.43%
29 Employee Salaries % Change	3.5%	4.0%	0.0% *
30 Employee Benefits % Change	10.0%	10.0%	10.0%
31 Farebox Recovery Ratio	29.1%	28.0%	26.3%

* 0% wage increase unless otherwise negotiated in collective bargaining process.

Attachment B:

Impact of Proposed Business Planning Parameters on FY10 Deficit

FY10 Forecast Deficit Update

	(Amounts in Millions)	Forecast
1	Deficit per Ten-Year Forecast	(\$134.1)
2	Increase to Deficit	
3	Cancellation of Fare Increases	(32.0)
4	State Budget Estimate of STA (Metro's Share)	(78.0)
5	Sales Tax	
6	TDA	(32.6)
7	PC5 Security	(3.0)
8	Revised FY10 Deficit	(279.7)
9		
10	Decrease to Deficit	
11	Measure R Funding to Backfill Fare Revenue Loss	32.0
12	Prop 1B for Bus Rebuild Program and Contract Service Bus Buy	36.3
13	Prop C 40% for Rail Operating (Substitute for STA)	40.5
14	DWP Settlement to Fund Operating Expenses	8.2
15	CNG Fuel Credit Extension	5.1
16	Reduction of 160K Duplicative Bus RSH (@\$90.22/RSH)	11.7
17	No Wage Increases	12.2
18	Reduce Capital Program	18.0
19	Subtotal Decrease to Deficit	164.0
20		
21	Revised Deficit after Decreases	(\$115.7)

