

# FY17 Budget Development



Metro

Metro Service Councils  
March 2016

# FY17 Budget Development Process

Board Status Updates	
<b>January 2016</b>	RAM initiatives adopted for FY17 implementation
<b>February 2016</b>	(1) Budget Planning Parameters for Assumptions and Service Levels (2) FY17 Preliminary Capital Program
<b>March 2016</b>	Bus and Rail Operations
<b>April 2016</b>	Departments Budgets, Support Functions and FTE
<b>May 2016</b>	Public Hearing FY17 Proposed Budget Final Board Adoption – May 26

## Outreach with key stakeholders:

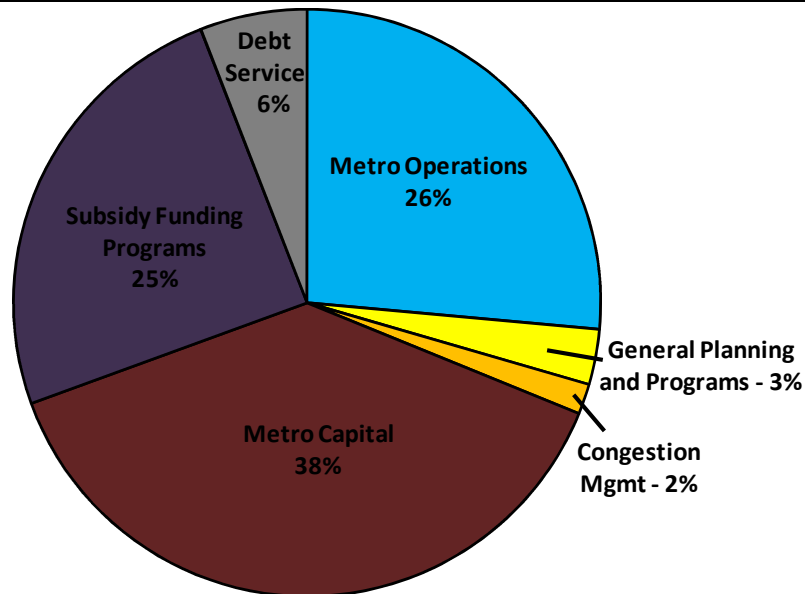
- Board of Directors;
- Senior Leadership Team and Executive Staff;
- Regional Service Councils, Citizen Advisory Council (CAC), Technical Advisory Committee (TAC), and Bus Operations Subcommittee (BOS);
- Electronic media (e.g. On Line Budget Tool, social media, the Source, podcast, web page, etc.).

# Zero-Based Budgeting Overview

- Zero-Based Budget is results-oriented, using measurable and specific goals to establish non-labor and labor expenditure levels based on project deliverables.
- Determine agency priorities and critical program funding.

(in millions)

Program Type (\$ in millions)	FY16 Adopted Budget	% of Total FY16 Budget	Zero-Based Budget Application
<b>1 Zero-Based Budget-Eligible</b>			
2 Metro Operations	\$ 1,472.4	26%	Service levels and specific cost drivers
3 General Planning, Programs, and Oversight	169.8	3%	Project priority, deliverables and historic delivery rate
4 Congestion Management	93.1	2%	Utilization of toll roads, FSP, and SAFE
<b>5 Subtotal Zero-Based Budget-Eligible</b>	<b>1,735.3</b>	<b>31%</b>	
<b>6 Program-Driven</b>			
7 Metro Capital	2,131.3	38%	Previously-adopted Life of Project and cash flows
8 Subsidy Funding Programs	1,373.1	25%	Formula allocation
9 Debt Service	328.7	6%	Debt service requirements
<b>10 Subtotal Program-Driven</b>	<b>3,833.1</b>	<b>69%</b>	
<b>11 Total Expenditures</b>	<b>\$ 5,568.4</b>	<b>100%</b>	



# Agency Core Business Goals

- Advance safety and security for our customers, the public, and Metro employees
  - e.g. *Union Station fire/life safety and ADA*
- Exercise fiscal discipline to ensure financial stability
  - e.g. *RAM initiatives and pursuing transportation ballot measure*
- Plan and deliver capital projects on time and on budget while increasing opportunities for small business development and innovation
  - e.g. *Annual Program Evaluation (A.P.E.); Contract modification to expedite payments to Subcontractors; Solicit Federal approval for local hiring; Expanded outreach to SBE/DBE firms*
- Improve the customer experience and expand access to transportation options
  - e.g. *Technology enhancements; Wi-Fi; BRT signal synchronization; MOL pedestrian intersection LED*
- Increase transit use and ridership
  - e.g. *Expo 2 and Gold Line Foothill 2A extensions; Expanded bus service (NoHo/Burbank/Pasadena); Optimize bus and rail service; Improved market research effort to retain/attract new ridership*
- Implement an industry-leading state of good repair program
  - e.g. *Initiate new heavy rail vehicle procurement; MBL signal system improvements; Buying new 40-foot and Articulated buses*
- Invest in workforce development
  - e.g. *Leadership Academy; MAX; Contract tuition reimbursement; Revised merit-based pay-for-performance evaluation; Employee recognition award program; CEO progressive training program*
- Promote extraordinary innovation
  - e.g. *Public-Private Partnerships; Unsolicited proposal policy; Active transportation*



# Risk Allocation Matrix (RAM)

## Goals

- Foster a culture of financial discipline throughout Metro.
- Aiming to secure Metro's financial stability by mitigating the projected deficit beginning in FY18.

## **RAM and the Internal Savings Account is the strategy to achieve these goals.**

- ▶ RAM is an agency wide collaborative process to identify a strategic mix of cost saving and revenue generating new initiatives, and to evaluate the risk of such implementation.
- ▶ Internal Savings Account will capture the RAM savings and revenues and ensure prudent use of these monies.
  - Monitor account activities and provide quarterly updates.
  - Establish guidelines on use of funds from the account.

# RAM New Initiatives

	Est. FY17 Realization	Est. FY18 Realization
CEO Authority	\$ 67,719,690	\$ 54,711,100
Board Action	104,122,800	34,673,333
<b>Est. Revenues/Savings</b>	<b>\$ 171,842,490</b>	<b>\$ 89,384,433</b>

**Proposed new initiatives under CEO Authority can be implemented immediately:**

- ▶ Agencywide efficiency improvements, optimizing service levels, right size inventory.
- ▶ Revenue generation through expanded advertising efforts and use of Metro property.
- ▶ Reallocation of funds to free up operations-eligible dollars.

**New initiatives requiring Board Action will be separately presented for necessary approvals prior to implementation:**

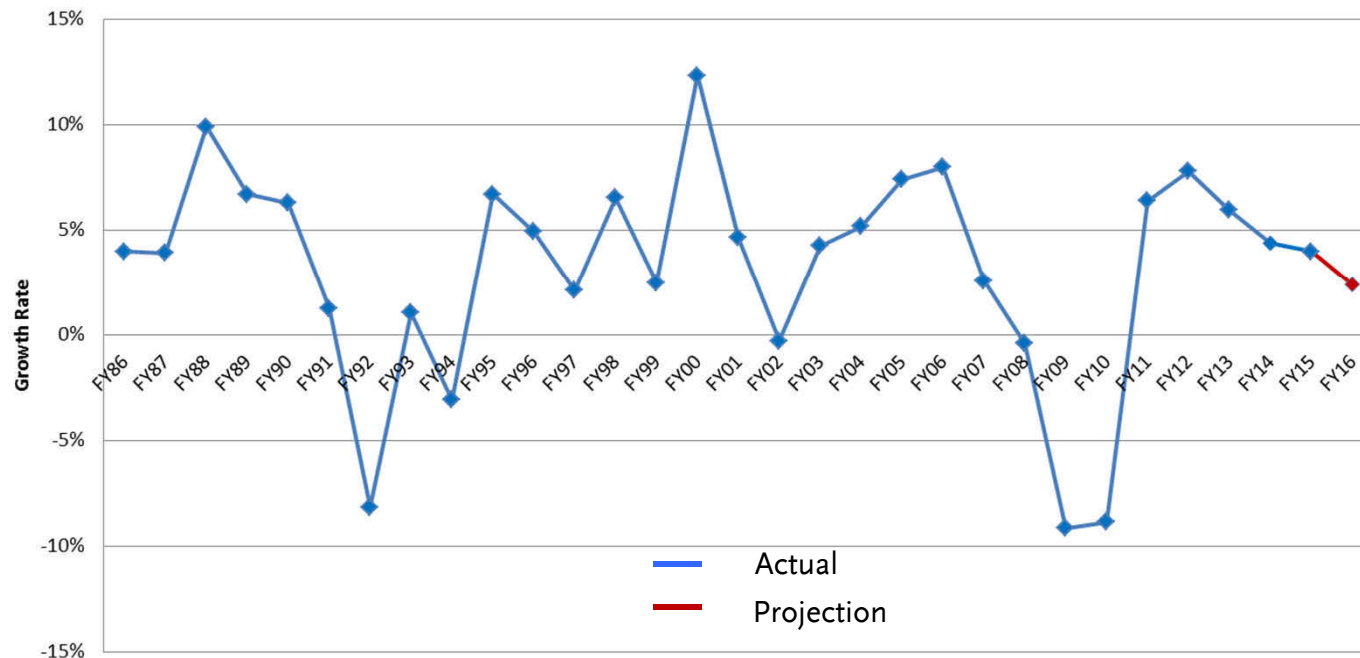
- ▶ Paid parking program, expanded advertising, increased concessions and sale/lease of unused Metro property requiring policy change or contract modification.
- ▶ Reassessment of required levels of reserves and group rate transit passes.



# Revenue Assumption (Sales Taxes)

- Sales tax growth has been in a cooling mode from its post-recession recovery peak.
- Growth has slowed down from an increase of 4.4% in FY14 to an estimated 2.4% in FY16.
- It is assumed that the FY17 sales tax growth rate will continue at the FY16 level of 2.4%.

Sales Tax Growth Rate



# Service Assumptions

**Overall, bus and rail services will increase by 2.3 percent from the FY16 Budget to FY17.**

## **Bus**

- Assumes December 2016 service levels, Expo II bus/rail interface, and Line 501 (NoHo – Gold Line) as baseline.
- Incorporate service optimization strategies (RAM initiatives, stop consolidation, line management, All Door Boarding).

## **Rail**

- Assumes full year implementation of Gold Line Foothill Extension to Azusa and EXPO II to Santa Monica.
- RAM initiatives to rationalize rail headways and service span.

***Other service changes being considered will be amended into the budget once approved by the Service Councils/Board.***



# On Line Budget Tool

- Interactive application to engage the public in the budgeting process.
- Not only a survey, but eventually a way to allow the public to provide feedback on their individual transportation priorities.
  - Prioritize agency goals.
  - Reallocating funding among modes.
  - Propose specific programs and services to be funded.
- Available as a link from Metro.net starting in April 2016 with FY17 proposed budget data.
- Future enhancements are anticipated starting in July 2016 based on initial use and feedback.