

FY17 Budget Planning Parameters

Executive Management Committee

February 18, 2016



Metro

FY17 Budget Development Process

Board Status Updates	
January 2016	RAM initiatives adopted for FY17 implementation
February 2016	(1) Budget Planning Parameters for Assumptions and Service Levels (2) FY17 Preliminary Capital Program
March 2016	Agencywide Expenses Status Update
April 2016	Proposed Budget Book
May 2016	Final Board Adoption – May 26

Outreach with key stakeholders:

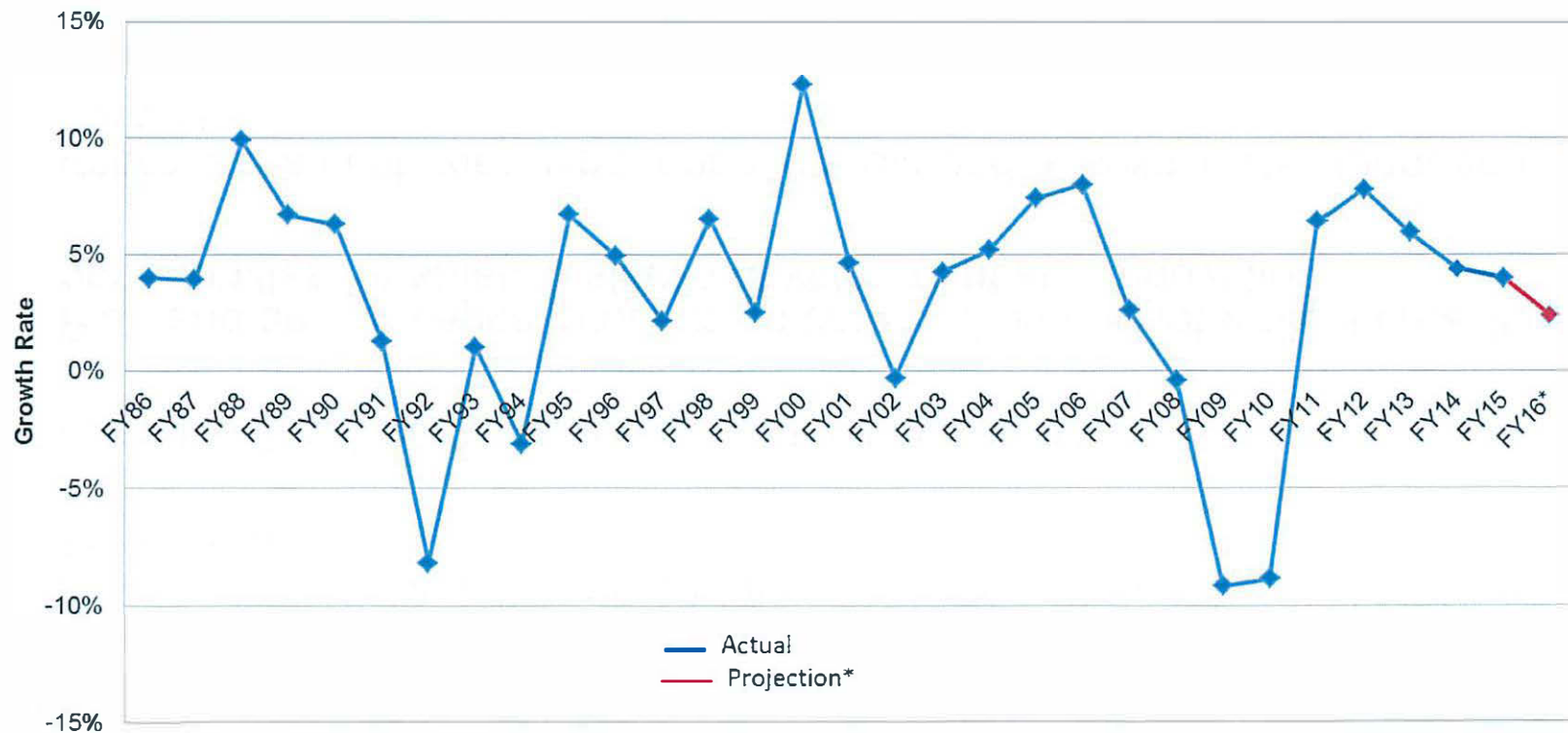
- Board of Directors
- Senior Leadership Team and Executive Staff
- Regional Service Councils, Citizen Advisory Council (CAC), Technical Advisory Committee (TAC), and Bus Operations Subcommittee (BOS)
- Electronic media (e.g. social media, the Source, webinar, web page, etc.)

Agency Goals

1. Advance safety and security for our customers, the public, and Metro employees
2. Exercise fiscal discipline to ensure financial stability
3. Plan and deliver capital projects on time and on budget while increasing opportunities for small business development and innovation
4. Improve the customer experience and expand access to transportation options
5. Increase transit use and ridership
6. Implement an industry-leading state of good repair program
7. Invest in workforce development
8. Promote extraordinary innovation

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%.
- Staff will closely monitor and adjust the FY17 sales tax forecast, if necessary, as more data becomes available.



Consumer Price Index (CPI)

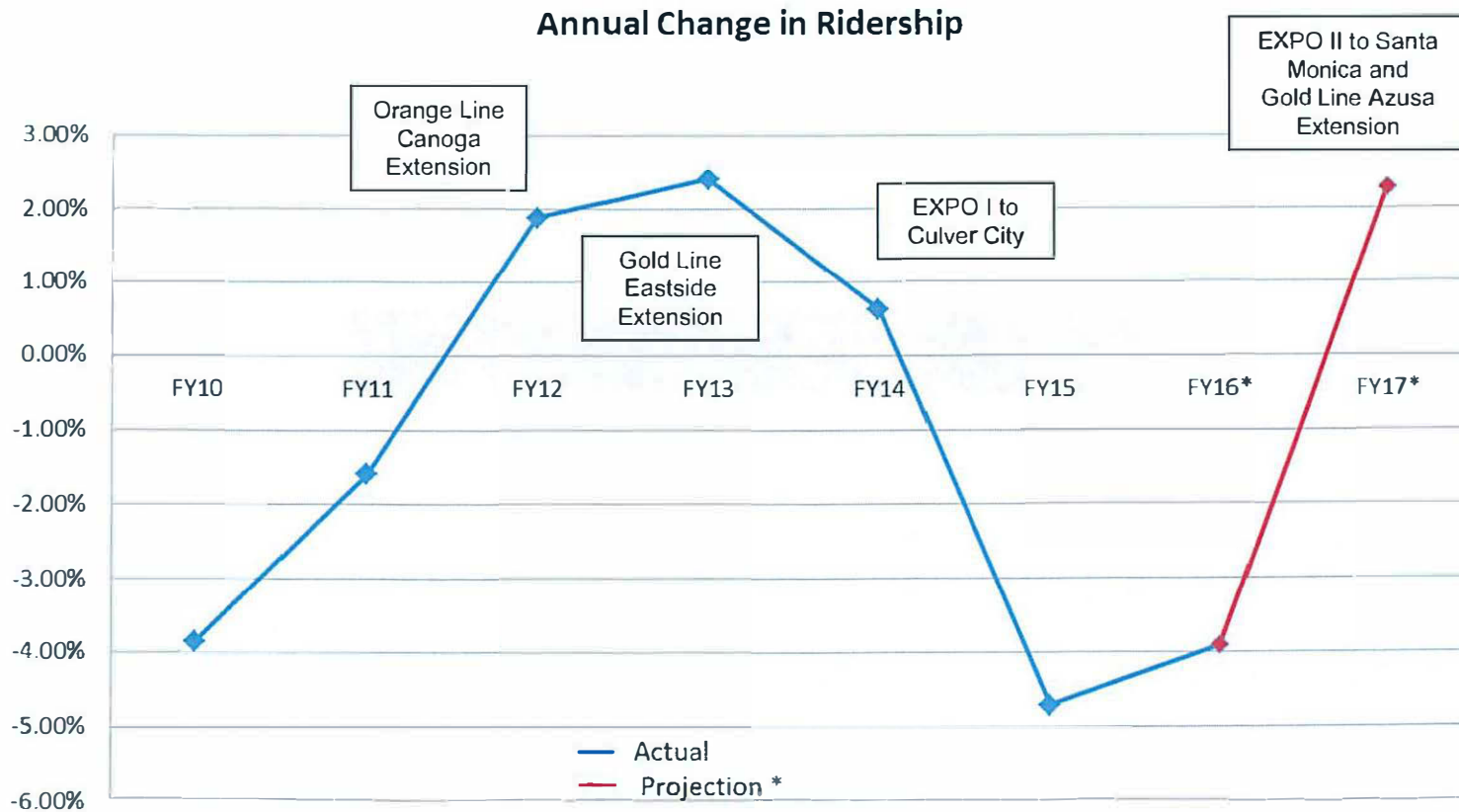
- Current leading forecasts – from UCLA, Beacon Economics and Muni Services – estimate change in the FY17 CPI in a range from 1.9% to 2.9%
- The FY17 assumption will be determined as updates are released in March 2016.
- The chart below shows how Metro’s CPI estimates compare to the actuals and projects from leading forecasts.

Fiscal Year	Actual	UCLA	Beacon Economics	Metro
FY15	0.94%	2.81%	1.97%	2.30%
FY16	1.25%*	2.25%	1.57%	1.97%
FY17 Forecast	--	2.90%	1.90%	1.9% to 2.9%

* YTD actual based on data from U.S. Bureau of Labor Statistics.

Fare Revenues and System Boardings

- FY17 assumes no fare restructuring; fare revenues depend on system boardings.
- The two new rail lines are expected to bring in 10 million additional boardings in FY17, and overall Metro transit system boardings and fare revenues are projected to increase by 2.3%, which equates to \$7.5 million in additional fare revenues.



Wages and Benefits

- For SMART, ATU, TCU and AFSCME members, FTEs will be adjusted based on service levels and zero-based budget cost drivers.
- Further, for these Union Contract positions, FY17 proposed budget salaries and fringe benefits will grow by negotiated rates per the Contract terms.
- The CEO is in the process of developing a Non-Contract merit-based performance measurement system.
- Health, welfare, and pension benefits for Non-Contract positions will be in accordance with previously-approved Board actions.

Metro Transit Service

- In order to begin the FY17 budget development process, transit service estimates are based on FY16 budget plus service optimizations included in RAM for both Bus and Rail.
- Additionally, Rail includes an increase as a result of a full year of operations on the EXPO II and Gold Line Foothill 2A extensions.
- Currently, FY17 Bus revenue service hours are projected at 7.1 million; and FY17 Rail revenue vehicle service hours are projected at 1.3 million.
- Both Bus and Rail budgeted revenue service hours remain under consideration according to minor service adjustments and other proposed changes that still need to be determined.
- Next month's receive and file update will provide finalized FY17 Bus and Rail service assumptions.

Next Steps

- March 2016 budget receive and file update will provide finalized FY17 Bus and Rail service assumptions.
- Staff will closely monitor and adjust the FY17 sales tax forecast, if necessary, as more data becomes available.
- The agency will continue to prioritize efforts for FY17 through its new program- and deliverables-based budget process and will provide ongoing updates and analysis to the Board.
- May 26, 2016 – Adoption FY17 budget; projected to be a balanced budget.