

FY17 Budget Development



Metro

Metro Service Councils
March 2016

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	Bus and Rail Operations
April 2016	Departments Budgets, Support Functions and FTE
May 2016	Public Hearing FY17 Proposed Budget Final Board Adoption – May 26

Outreach with key stakeholders:

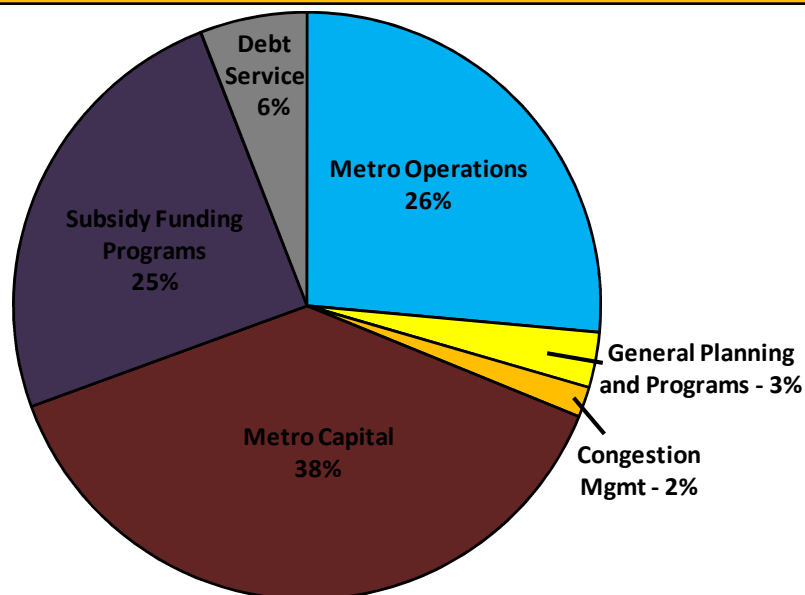
- Board of Directors;
- Senior Leadership Team and Executive Staff;
- Regional Service Councils, Citizen Advisory Council (CAC), Technical Advisory Committee (TAC), and Bus Operations Subcommittee (BOS);
- Electronic media (e.g. On Line Budget Tool, social media, the Source, podcast, web page, etc.).

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



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
Est. Revenues/Savings	\$ 171,842,490	\$ 89,384,433

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.

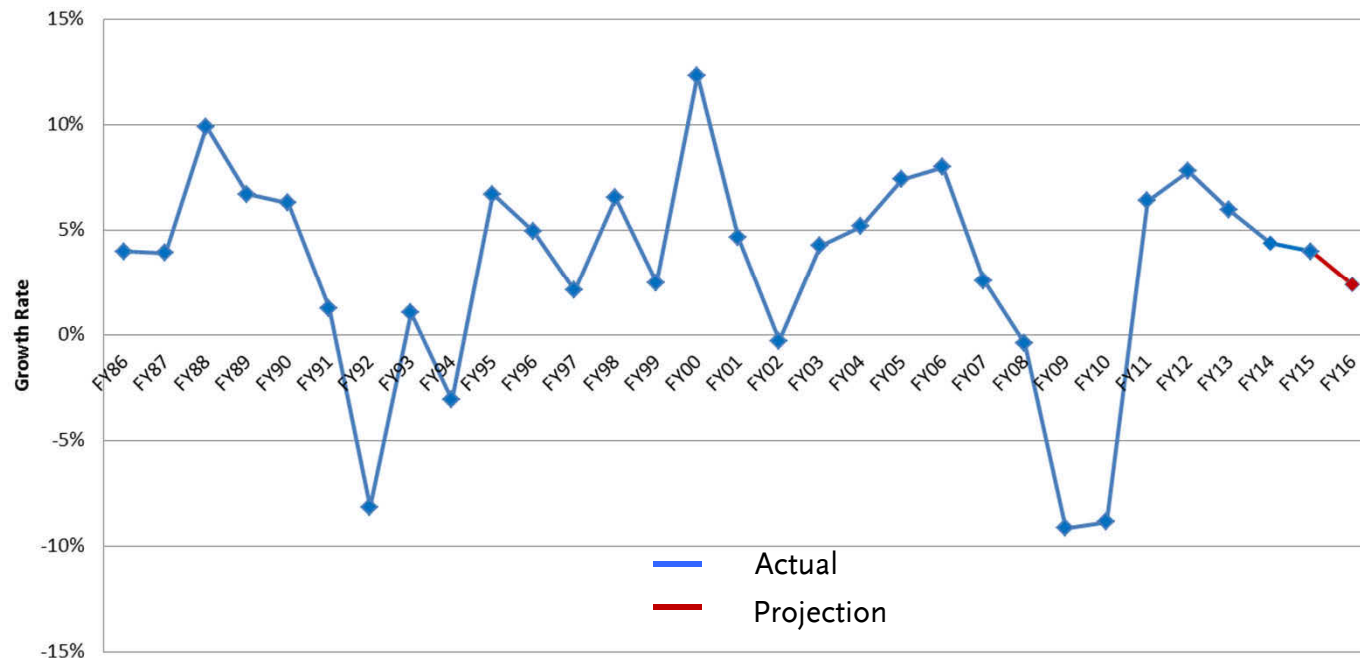
New initiatives requiring Board Action will be separately presented for necessary approvals prior to implementation:

- ▶ 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.