



Metro

Los Angeles County
Metropolitan Transportation Authority

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FINANCE AND BUDGET COMMITTEE

March 16, 2011

SUBJECT: FY12 BUDGET

ACTION: APPROVE THE BUDGET PLANNING PARAMETERS

RECOMMENDATION

Approve the FY12 Budget Planning Parameters as outlined in Attachment A.

ISSUE

The Budget Planning Parameters, summarized in Attachment A and described below including sales tax growth assumptions, levels of service, farebox recovery ratio and other key financial factors, provide guidance on the allocation of resources for the development of the upcoming annual budget.

DISCUSSION

Budget Planning Parameters and Rationale

- A. Sales Tax and TDA Revenue Forecast:** Assumes FY12 sales tax and TDA revenues will increase by 2.6% over FY11 Adopted Budget based on Metro's historical experience, actual first quarter sales tax receipts for FY11, and a review of industry experts advice.
- Sales tax revenues forecast of \$605.1 million each for Prop A, C, and Measure R
 - TDA revenue forecast of \$302.5 million
- B. State Transit Assistance (STA):** State Transit Assistance (STA) of \$96.2 million, based on the estimate from the state controller's office.
- C. Fare Revenue Forecast and Fare Revenue per Boarding:** Assumes no change to fare structure and a 4.0% increase in boardings primarily as a result of opening Expo I. Therefore the fare per boarding remains at the FY11 level of \$0.75 per boarding.
- Fare revenue at \$349.0 million
- D. Farebox Recovery Ratio:** Bus and rail operating expenses are expected to increase only 0.4%. Because fare revenue increases more than expenses, fare box recovery will increase from 28% to 29%.

E. Measure R: Measure R funds will be budgeted and expended in accordance with Measure R Ordinance and project expenditures delivery schedules and cash flow needs.

F. Measure R 20%: Assumes that Metro Bus will use its entire share of available Measure R 20% Bus Operating funds.

G. Staffing:

a. Full Time Employees (FTE): Assumes there will be no FTE increases included in the budget except for operation of Expo I light rail line and unless the following circumstances are met: Funding for the requested FTEs are part of the Life of Project (LOP) Budget of a Measure R Capital Project **OR** the department has reallocated all possible resources from lower priority programs to FY12 Budget Priority Programs, **AND** the new program or request is directly related to the Budget Goals.

b. Metro Entry Level Trainee Program (ELTP): Introduce a one to two year ELTP to allow departments to provide work experience for recent four-year college graduates or above who are interested in careers in public transportation, to be budgeted at an average of \$20/ hour.

c. As Needed Employees: Temporary "as-needed" employees other than those hired for Metro Intern Programs and the Metro ELTP may work a maximum of 30 hours per week for a maximum of 1560 hours for the fiscal year.

H. Rail Service Level: Rail revenue service hours (RSH) are planned to increase 68,892 hours for Expo 1, and 42,257 for existing lines. Expo 1 begins revenue service on November 15, 2011.

I. Bus Service: Restructure Bus service to reduce unproductive and duplicative bus service by 582,000 RSH from the FY11 budget, primarily as a result of service changes in mid to late FY11.

J. CNG: Consistent with the updated CNG Hedging Program the budget assumes a price collar between \$0.51 and \$0.65. CNG cost in the budget will be based on a delivered cost of \$0.65 per therm.

K. Consumer Price Index (CPI): Assumes 2.0% based on UCLA's Long-Term Forecast.

FINANCIAL IMPACT

The financial impact of the Planning Parameters will be included as part of the FY12 budgeted revenues and expenses.

ALTERNATIVES CONSIDERED

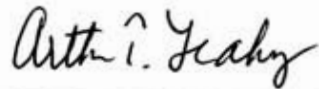
The Board could decline to adopt the included Budget Planning Parameters and adopt different parameters. The budget planning process for the FY12 budget will begin with expenditure targets set by management in February. If the Board does not adopt the Budget Planning Parameters, the budget development process might be delayed.

Attachment A- Financial Summary of FY12 Business Planning Parameters

Prepared by: The Office of Management & Budget (OMB)



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Deputy Chief Executive Officer



Arthur T. Leahy
Chief Executive Officer

Summary of Business Planning Parameters

	FY11 Budget	FY12 Assumptions	Change	%Change
1 Revenues (Dollars in millions)				
2 Sales Tax (A,C,TDA)	1,474.5	1,512.8	38.25	2.6%
3 Measure R	589.8	605.2	15.40	2.6%
4 Total Sales Tax	2,064.3	2,118.0	53.65	2.6%
5				
6 STA	-	96.2	96.20	NA
7				
8 Fare Revenue	335.5	349.0	13.50	4.0%
9 Fare per Boarding	\$0.75	\$0.75	-	0.0%
10 Advertising	28.0	30.5	2.50	8.9%
11				
12 RSH (thousands)				
13 Bus	7,110.5	6,528.5	(582.05)	-8.2%
14 Orange Line	101.6	101.6	-	0.0%
15 Light Rail	448.5	526.0	77.47	17.3%
16 Heavy Rail	257.3	291.0	33.68	13.1%
17 Total	7,917.9	7,447.0	(470.90)	-5.9%
18				
19 Boardings				
20 Bus	348,958.0	341,978.8	(6,979.16)	-2.0%
21 Orange Line	6,996.0	6,856.1	(139.92)	-2.0%
22 Light Rail	44,687.0	50,189.9	5,502.90	12.3%
23 Heavy Rail	45,306.0	47,509.4	2,203.37	4.9%
24 Total	445,947.0	446,534.2	587.19	0.1%
25				
26 Expenses				
27 CNG price per therm	\$0.74	\$0.65	(0.09)	-12.2%
28 Farebox Recovery Ratio	27.7%	28.9%	0.01	4.3%