



**Metro**

Los Angeles County  
Metropolitan Transportation Authority

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**FINANCE, BUDGET AND AUDIT COMMITTEE  
JANUARY 18, 2012**

**SUBJECT: FY13 BUDGET PLANNING PARAMETERS AND BUDGET THEMES**

**ACTION: RECEIVE AND FILE THE FY13 BUDGET PLANNING PARAMETERS AND BUDGET THEMES**

**RECOMMENDATION**

Receive and File the FY13 Budget Planning Parameters as outlined in Attachment A and the updated report on the Budget Themes.

**ISSUE**

The themes listed below formed the framework for developing the FY12 Budget and will continue to guide the development of the FY13 Budget. The budget planning parameters, described in Attachment A, include sales tax growth assumptions, levels of service, fare box recovery ratio and other key financial factors that also guide the allocation of resources for the development of the upcoming annual budget. The recently released California State Budget proposal for FY13 includes STA at our current projected level. We will continue to monitor the state budget and any impact it may have on our funding.

**DISCUSSION**

In these challenging economic conditions, Metro will again go forward with a balanced budget. These themes will continue to guide the management and allocation of resources with the overall goal of improving transportation in Los Angeles County.

**Budget Themes Update**

- **Theme 1: Enhance Our Bus and Rail System**  
In a continued effort to meet the customer demands the following actions were undertaken:
  - Headways on all rail lines were decreased (i.e. increased frequency).

- On Gold Line, the peak hour service reduced headway from 7.5 minutes to 6 minutes, increasing 25% in capacity.
- On Blue, Red and Purple Lines, the night service headways was decreased from 20 minutes to 10 minutes resulting in 100% increase in frequency.
- The service span on all lines was extended to 2:15 am.
- On the bus lines, schedules have been modified based on the actual running times, trips have been added to alleviate overcrowding and increase reliability.
- The 720 Bus Line is being closely monitored to resolve the PM peak hour on-time performance.

Metro Operations will continue to monitor and restructure its services in the upcoming months to improve headways on rail lines and on-time performance on bus lines.

- **Theme 2: Restore Our Key Transportation Assets**

Metro's bus midlife and engine replacement program along with the annual bus shakeup (rotation of buses from one line to another) keeps the bus fleets in a reliable state. There are also efforts to rehabilitate or replace other assets.

- Both the bus midlife and engine replacements are on schedule with 126 bus overhauls and 173 engine replacements.
- Rail Fleet Services are proceeding with the component level maintenance plan for both heavy and light rail vehicles, which allows for safer operation of the cars throughout their life cycle.
- The \$82 million ARRA funded traction power substation replacement project along the Blue Line has completed 40% of the substation installations and plans are currently underway to expedite this project to replace all 20 substations by December 2013.
- The escalators at the Civic Center Station are being replaced and efforts are currently underway to build a canopy over these escalators.

- **Theme 3: Clean Our Stations, Fleets, and Roadways**

In the continued effort to improve the appearance of our stations and fleets as well as the beautification of our freeways, we've implemented the following initiatives:

- Increased the auto-scrubbing of Red Line stations from 3 to 5 times a week and the frequency of deep cleaning on the buses by 20%.
- Metro has acquired a vendor to address the pigeon issues at 9 rail stations, with efforts underway to address long-term solutions to birds and pests.
- Freeway beautification project was initiated, focusing on graffiti abatement, debris removal, and landscape maintenance. Two sites have been identified in the pilot project – I-110 from the 101 interchange to Exposition Blvd. and I-710 from SR-60 to SR-91 (with possible extension to the I-405).
- Improvements at the Silver Line station are proposed as followed: upgrade/replace the passenger info system, install way finding graphics and public art, solar powered lighting along the Silver Line
- Improve Metro's facilities along the Harbor Transitway to enhance community awareness and increase Silver Line ridership potential

- **Theme 4: Deliver Rail, Highways, and Private Sector Jobs**

- On Dec 30, FTA issued the Record of Decision for the Crenshaw/LAX project, allowing Metro to proceed with the implementation of an 8.5 mile light rail transit line along the Crenshaw Corridor.
  - The Westside Subway Extension and Regional Connectors are on schedule with their preliminary engineering design phase.
  - Expo Phase I is currently in its pre-revenue phase, with Expo Phase II heading into its construction phase at the start of FY12.
  - The Orange Line Extension is nearing completion and is expected to open in Jul-12.
  - Work on sound wall package #4 is anticipated to complete in FY12; sound wall packages #5, #6, #7, and #8 are out on bid with contract awards occurring in the upcoming months.
  - Construction activity on I-10/I-110 is anticipated to be 80% complete by the end of FY12.
  - The transponder sale for HOT lanes along I-10/I-110 is scheduled to commence in Jun-12.
  - Efforts are underway to acquire 12 park-and-ride facilities currently owned by Caltrans with the intent to maintain state of good repair.
- **Theme 5: Provide the Right Information, Right Now**
    - NexTrip, a real-time bus schedule web application available on smart phones, rolled out in Mar-11, was well received by the public. The application reached its millionth hit in first quarter of FY12.
- **Theme 6: Prepare Tomorrow's Workforce Today**  
 With many key positions at Metro held by the retirement-eligible personnel, a main priority is to train tomorrow's workforce to allow for a smoother generational transition.
    - Metro has developed and launched Operations Management Training Program tailored to grooming capable middle-management employees for their career advancement.
    - To elevate the caliber of the entry-level incumbents, Metro has implemented Entry Level Training Program for the professional positions.
    - For the trade skill positions, Metro has partnered with Los Angeles Trade Tech College which has designed a program specifically designed for maintenance positions at Metro.
- **Theme 7: Spend Wisely and Spend Frugally**  
 Metro strives to maintain a balanced budget in spite of uncertain federal and state funding
    - Staff continues to spend responsibly, streamlining existing processes and reducing duplicative efforts.
    - A labor resource study is currently underway to identify the labor resource allocations by activity. The results are being analyzed for better utilization of the existing labor resources.
- **Theme 8: Help Customers Cope with Rapidly Rising Gas Prices**  
 Metro has made strides in increasing the frequency of its services on all rail lines and providing additional trips on high capacity bus lines to reduce overcrowding and

service reliability. Metro continues to improve on its accessibility and appearance, striving to provide viable alternative transportation

- The \$6 day pass was reduced to \$5 in FY12
- A rolling 30-day monthly pass has also been implemented.

- **Theme 9: Maintain and Enhance a Truly Sustainable Transportation Network**

Metro continues to lead the industry in its sustainability efforts through various policies and tenets such as green construction, energy conservation and management plan, and sustainability principles. Some of the sustainability efforts currently underway at Metro include:

- Installation of electric vehicle charging stations at four Metro Park-and-Ride stations, which are fully grant funded
- Replacement of lighting fixtures at various divisions with more energy efficient and high lumen output, which has a cost recovery period less than 3 years
- Installation of pH neutralization systems at divisions to neutralize the acidity of discharge water from their car wash facilities

Moving forward in FY13, the nine themes will be consolidated into the following four areas of focus with the continuing goal of improving transportation in Los Angeles County:

1. **Improve Metro bus and rail transit service:** To be accomplished through improving system safety and security, service connectivity and reliability, cleanliness of our fleet, bus stops and stations and improving the timely availability of service schedule information to our customers.
2. **Renewed focus on customer service:** We expect our operators, protective services, transit operations supervisors and others to place strong emphasis on service quality and common courtesy.
3. **Advance our bus and rail transit projects:** Which includes the purchase of new buses and rail cars, project development work on the Subway, the Regional Connector, the Crenshaw/LAX line and other light rail projects, the construction of the Crenshaw Line, Metro Orange Line, Congestion Reduction Demonstration Project, Expo Line Phase 2, Gold Line Extension to Azusa, Eastside Transit Corridor Phase 2 and others.
4. **Advance the highway and freeway program:** This includes the I-405, the I-5 projects, the High Desert Corridor and other essential projects.

## **FINANCIAL IMPACT**

The budget planning parameters will be used for the development of the FY13 budget and the financial impact will be included as part of the budgeted revenues and expenses. The source of funds for development of the budget is based on the attached parameters.

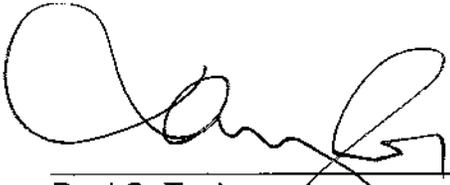
**ATTACHMENTS**

A- Budget Planning Parameters and Rationale

B- Financial Summary of FY13 Business Planning Parameters

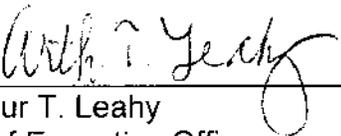
C- FY13 Sales Tax Forecast

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



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**Budget Planning Parameters and Rationale**

- A. Sales Tax and TDA Revenue Forecast:** Assumes FY13 sales tax and TDA revenues will increase by 4% over FY12 Adopted Budget based on Muni Services LLC forecast, which is the most conservative estimate compared to other leading industry forecasts from UCLA, Beacon and etc.
- B. State Transit Assistance (STA):** State Transit Assistance (STA) of \$91.8 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 Day Pass goes back to \$6 regular price.
- D. Fare per Boarding and Fare Box Recovery Ratio:** Boardings are estimated to increase 2.3% primarily as a result of Expo 1 service to Culver City. Operating expenses are estimated to increase by 6.1% as a result of opening Canoga Extension of the Orange Line and Expo Phase 1 as well as increased service on existing rail lines plus wage and benefit increases and non-labor cost increases based on CPI for existing and new service. Therefore, fare per boarding remains at 75 ¢ per boarding and Fare Box Recovery ratio stays at 27%.
- E. Measure R:** Measure R funds will be budgeted and expended in accordance with Measure R Ordinance, 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. This includes funds earned but not programmed in FY11 and all new FY12 funds.
- G. Rail Service Level:** Light rail revenue vehicle service hours (RSH) are planned to increase 26.3%, 53,427 hours for Expo 1, and 85,987 on existing light rail lines due to expand hours of service and reduced headways. Expo 1 to Culver City will be in service for the entire year. Heavy rail RSH will increase 16.2%, or 47,274 RSH to increase the hours of service and decrease headways.
- H. Bus Service levels:** Bus RSH to increase 17,000 (16.7%) for the Canoga Extension of the Orange and 3,617 (0.1%) as a result of minor modifications on all other bus lines.
- I. Staffing:** Assumes no FTE increases except for Expo Line or service adjustments. Additional request will be discussed and justified based on project needs with Board approval.
- J. Wage and Benefit:** Estimated increase for UTU at 2% is \$6.6 million in accordance with the contract. Terms for non-UTU bargaining units will be included as information becomes available. There will be no change for non-contract employees.
- K. Consumer Price Index (CPI):** Assumes 2.14% based on UCLA's Long-Term Forecast.

**Financial Summary of FY13 Business Planning Parameters**

	FY10 Actuals	FY11 Actuals	FY12 Budget	FY13 Assumptions	% Change
1 <b>Revenues (Dollars in millions)</b>					
2 Sales Tax (A,C,TDA)	1,416.8	2,104.1	2,117.9	2,202.6	4.0%
3 <b>STA</b>	117.1	-	96.2	91.8	-4.5%
4					
5 Fare Revenue	307.9	336.1	332.1	345.7	4.5%
6 Fare per Boarding	\$0.67	\$0.72	\$0.73	\$0.75	2.7%
7 Advertising	25.7	28.0	30.5	24.3	-20.3%
8					
9 <b>RSH (thousands)</b>					
10 Bus	7,436.6		6,733.6	6,737.3	0.1%
11 Orange Line	99.4		101.6	118.6	16.7%
12 Light Rail	431.5		530.2	669.7	26.3%
13 Heavy Rail	256.8		291.0	338.3	16.2%
14 <b>Total</b>	<b>8,224.3</b>		<b>7,656.4</b>	<b>7,863.7</b>	<b>2.7%</b>
15					
16 <b>Boardings</b>					
17 Bus	346,003.8		341,978	343,688	0.5%
18 Orange Line	7,042.7		6,856	8,239	20.2%
19 Light Rail	46,419.8		50,190	56,818	13.2%
20 Heavy Rail	47,905.9		47,509	48,176	1.4%
21 <b>Total</b>	<b>447,372.2</b>	<b>-</b>	<b>446,533</b>	<b>456,921</b>	<b>2.3%</b>
22					
23 <b>Expenses</b>					
24 CPI		1.77%	1.99%	2.14%	0.15%
25 CNG price per therm	\$1.02		\$0.65	\$0.59	-9.2%
26 Wage % Change		0.0%	0.0%	2% *	2.0%
28 Farebox Recovery Ratio	26.1%	26.1%	27.7%	27.2%	-0.5%

\*Note: Based on the current UTU contract. Percentage could be changed based on the outcome of the other Union negotiations

**FY13 Sales Tax Forecast**

(\$ Amounts in millions)

		\$ Amounts in Millions (for each Sales Tax Ordinance - Prop A, C, and Measure R)			
		FY10 Actual	FY11 Budget*	FY12 Adopted Budget	FY13 Proposed
1					
2	Metro's FY12 15-Year Forecast	\$ 565.8	\$ 589.8	\$ 605.1	\$ 629.3
3	% Change	-9.11%	4.24%	2.59%	4.00%
4					
5		\$ Amounts in Millions (for each Sales Tax Ordinance - Prop A, C, and Measure R)			
6		Metro's Actuals*		Forecast \$'s with implied % Change	
7	Forecasting Sources	FY10 Actuals	FY11 Actuals*	FY12	FY13
8	UCLA Anderson	\$ 565.8	\$ 601.9	\$ 620.2	\$ 662.2
9	implied % Change	-9.11%	6.38%	3.04%	6.77%
10					
11	Beacon Economics	\$ 565.8	\$ 601.9	\$ 635.9	\$ 674.5
12	implied % Change	-9.11%	6.38%	5.65%	6.07%
13					
14	Muni Services LLP	\$ 565.8	\$ 601.9	\$ 602.3	\$ 629.3
15	implied % Change	-9.11%	6.38%	0.07%	4.48%
16					
17	LA Econ Devel Corp (LAEDC)	\$ 565.8	\$ 601.9	\$ 632.2	n/a
18	implied % Change	-9.11%	6.38%	6.90%	n/a
19					
20					

21 **\*FY11 actual figures represent preliminary June 30, 2011 amounts which are 6.38% higher than FY10 actual**  
 22 **\*\*Preliminary LRTP information received July 2011 (not for public release)**  
 23 **\*\*\*20-Year Historical Average of 1.97% represents the average through Preliminary FY11 Actuals.**  
 24 **ordinances for transportation: Propositions A, C, and Measure R. The region also receives TDA revenue which represents 1/4 of the**  
 25 **statewide retail sales tax.**

