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Los Angeles County
Metropolitan Transportation Authority

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**FINANCE, BUDGET AND AUDIT COMMITTEE
JANUARY 15, 2014**

SUBJECT: FY15 BUDGET PLANNING PARAMETERS

ACTION: RECEIVE AND FILE FY15 BUDGET PLANNING PARAMETERS

RECOMMENDATION

Receive and file the FY15 Budget Planning Parameters.

ISSUE

The budget planning parameters, as described below, include sales tax growth assumptions, levels of service, fare revenue per boarding and other key financial factors that guide the allocation of resources for the development of the upcoming annual budget.

DISCUSSION

Metro will present a balanced budget for FY15. The budget will emphasize safety, security, continued progress on deferred maintenance, improved service quality and the planned Measure R Highway and Transit projects.

The budget planning parameters serve as the framework for developing the annual budget. As the budget development process continues and additional information becomes available, these parameters may be modified, updated and/or changed accordingly.

Budget Planning Parameters and Rationale

- A. Sales Tax & TDA Revenue Forecast:** Assumes FY15 sales tax and TDA revenues will increase by 3.6% over the FY14 Budget based on UCLA's Long-Term Forecast for Los Angeles County. The amount forecasted by UCLA is among the more conservative estimates collected through various forecasting sources. (See Attachments)
- B. State Transit Assistance (STA) Revenue:** Preliminary forecasts for FY15 are at \$97.1 million which is lower than the FY14 budget level of \$115.5 million. This

decline reflects the trend of declining diesel fuel consumption. This assumption number will be revised during the budget process to reflect the State Controller's FY15 estimate due for release in early February 2014.

C. Fare Revenue Forecast: Assumes no change in fare structure from the current FY14 fare structure. Day pass stays at \$5. Senior/Disabled/Medicare and Student Passes remain frozen at FY10 Board resolution levels. Total estimated fare revenue for FY15 is \$351.7 million which is slightly higher than FY14 budget level \$345.1 million reflecting the gradual trend of increased boardings.

D. Fare per Boarding: Is estimated at 70¢ per boarding for FY15 which reflects actual FY14 experience to date. This is also equal to the FY14 budget level

In FY15, Metro Bus will carry 376.1 million passengers, around 2.3% growth over FY14 budget, and Metro Rail passengers will grow .1% to 125.2 million. Overall, Metro systems will carry 501.2 million passengers by the end of FY15.

E. Farebox Recovery Ratio: As a consequence of inflation the operating expenses, farebox recovery ratio continues to decline in FY15 from 25.7% in FY14 budget to around 25.1% range for FY15.

A comprehensive analysis is underway to explore fare structure change options including analysis of passenger travel patterns, trip distances, and peak hour boardings among other factors.

F. Rail Service Level: Continues emphasis on improving our customer's transit experience and overall service by maintaining the reduced headway on Blue Line, Green Line, Gold Line, Expo and subway to 7.5 minutes on weekend service and 10 minutes on late night service. In FY15, Metro rail is scheduled to run the same service level as in FY14 for a total of 1,027.8 million Revenue Vehicle Service Hours (RVSH).

G. Bus Service Level: Metro Bus services retain the existing service for a total of 7,061.7 million Revenue Service Hours (RSH), including higher Silver Line service to be funded with the toll revenue from HOT Lanes.

Metro Bus and Metro Rail service will further implement FY14 reduced headway plan. We are continuing our analysis of the bus and rail service level, and any modifications may be presented to the Board through the budget development process.

H. Deferred Maintenance: Focuses on the delivery of safety and service reliability related maintenance projects for Metro Bus and Rail systems. Vehicle mid-life services and replacement vehicle procurements for buses, light rail, and heavy rail are at the forefront of the program to mitigate the deferred maintenance

backlog. Deferred Maintenance progress emphasis will be placed on the older Blue and Red rail lines.

- I. **Planned Measure R Project Progress:** Board adopted Measure R Transit and highway projects will continue as originally planned in the ordinance. Design and early construction will proceed for Regional Connector, Crenshaw LRT and Westside Subway Extension Sections 1, and 2. Full Funding Grant Agreements are planned for adoption in FY14 with additional design and construction contract procurements planned in FY15 for the Regional Connector and Westside Purple Line Extension Section 1.
- J. **Staffing:** Any staffing increase will be associated with increased service or capital expansion. We will coordinate closely with, and receive input from the Board for any FTE changes.
- K. **Wage and Benefits:** Represented employees expected to increase per respective contract terms.
- L. **Consumer Price Index (CPI):** Current estimates from leading forecasts, including UCLA, Beacon, the Governor's Office and etc., range from 1.9% to 2.81%. We will update the CPI assumption and present to the Board in March with the latest estimate.

FINANCIAL IMPACT

The budget planning parameters guide the development of the FY15 budget and may change as more specific information becomes available.

ALTERNATIVES CONSIDERED

The annual budget serves as the legal authority to obligate and spend funds. Failure to adopt the budget would severely impede Metro's stated goal of improving transportation in Los Angeles County.

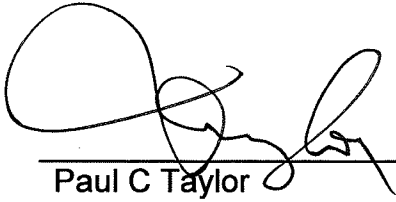
NEXT STEPS

A Proposed FY15 Budget will be presented to the Board in May 2014 for approval. In the months preceding budget adoption, we will brief Board and Board staff with additional information as it becomes available

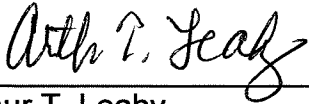
ATTACHMENTS

- A. Financial Summary of the FY15 Business Planning Parameters
- B. FY15 Sales Tax Revenue Assumption

Prepared by: Office of Management & Budget, 213-922-3088



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Chief Executive Officer

ATTACHMENT A

Financial Summary of FY15 Business Planning Parameters

Assumptions	Actual FY13	Budget FY14	FY15 Assumption	% Change FY14 to FY15
Revenues				
Sales Tax (A, C, R, & TDA) in millions)	\$ 2,403.3	\$ 2,479.4	\$ 2,569.6	3.6%
STA (in millions)	\$ 116.5	\$ 115.5	\$ 97.1	-15.9%
Fare Revenue (in millions)	\$ 330.6	\$ 345.1	\$ 351.7	1.9%
Fare Revenue per Boarding	\$ 0.70	\$ 0.70	\$ 0.70	0.0%
Boardings (thousands)				
	Budget FY13	Budget FY14	FY15 Assumption	Change FY14 to FY15
Bus	342,524	357,134	365,423	2.3%
BRT	9,404	10,619	10,636	0.2%
Subtotal Bus	351,927	367,753	376,058	2.3%
Light	57,094	74,862	75,673	1.1%
Heavy	48,354	49,290	49,487	0.4%
Subtotal Rail	105,448	124,152	125,161	0.8%
Total	457,375	491,905	501,219	1.9%
Revenue Service Hours (in thousands)				
Bus	6,673.3	6,846.8	6,846.8	0.0%
BRT	182.6	201.9	214.9	6.4%
Subtotal Bus	6,855.9	7,048.7	7,061.7	0.2%
Light	661.4	702.3	702.3	0.0%
Heavy	291.1	325.5	325.5	0.0%
Subtotal Rail	952.5	1,027.8	1,027.8	0.0%
Total	7,808.4	8,076.5	8,089.5	0.2%
Expenses				
	Budget FY13	Budget FY14	FY15 Assumption	Change FY14 to FY15
CPI Cost Inflation *	2.10%	1.90%	1.90% to 2.81%	N/A
Wage % Change	Per Union Contract and 0% for Non-Contract	Per Union Contract and 2% for Non-Contract	Per Union Contract and 0% for Non-Contract	0.0%
Farebox Recovery Ratio	27.3%	25.7%	25.1%	-2.1%

* Preliminary estimate from leading forecast agencies. The inflation assumption will be updated and presented to the Board in March with the latest estimate.

ATTACHMENT B

FY15 Sales Tax Revenue Assumption

\$ in Millions (for each Sales Tax Ordinance - Propositions A, C and Measure R)					
	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Adopted*	FY15 Assumption
1 Metro's FY15 Assumptions	\$ 601.9	\$ 648.7	\$ 687.2	\$ 708.4	\$ 734.2
2 Implied % Change	6.38%	7.8%	5.9%	3.1%	3.6%
3					
Forecasting Sources	FY11 Estimate	FY12 Estimate	FY13 Estimate	FY14 Estimate	FY15 Estimate
4					
5					
6 UCLA - Long-Term Update	\$ 608.1	\$ 655.2	\$ 675.3	\$ 698.8	\$ 734.2
7 Implied % Change	6.8%	7.8%	3.1%	3.5%	5.1%
8					
9 Beacon - Update	\$ 608.2	\$ 655.6	\$ 690.4	\$ 718.9	\$ 751.7
10 Implied % Change	6.8%	7.8%	5.3%	4.1%	4.6%
11					
12 Metro LRTP	\$ 601.9	\$ 648.7	\$ 685.9	\$ 721.1	\$ 756.1
13 Implied % Change		7.8%	5.7%	5.1%	4.9%

*Preliminary FY14 actuals are coming in at 3.6% which is slightly higher than the budgeted level of 3.1%.