

FY16 Budget Planning Parameters

Finance, Budget and Audit Committee
January 14, 2015



Metro

FY16 Budget Emphases

- Safety and security
- Transit service quality improvement
- New bus and rail vehicle purchases
- Delivery of rail and highway projects
- Bike programs
- Technology enhancements
- Opening of EXPO II to Santa Monica and Gold Line Foothill Extension
- State of good repair
- Potential transportation ballot measure
- Other new initiatives such as business mitigation, first last mile and others

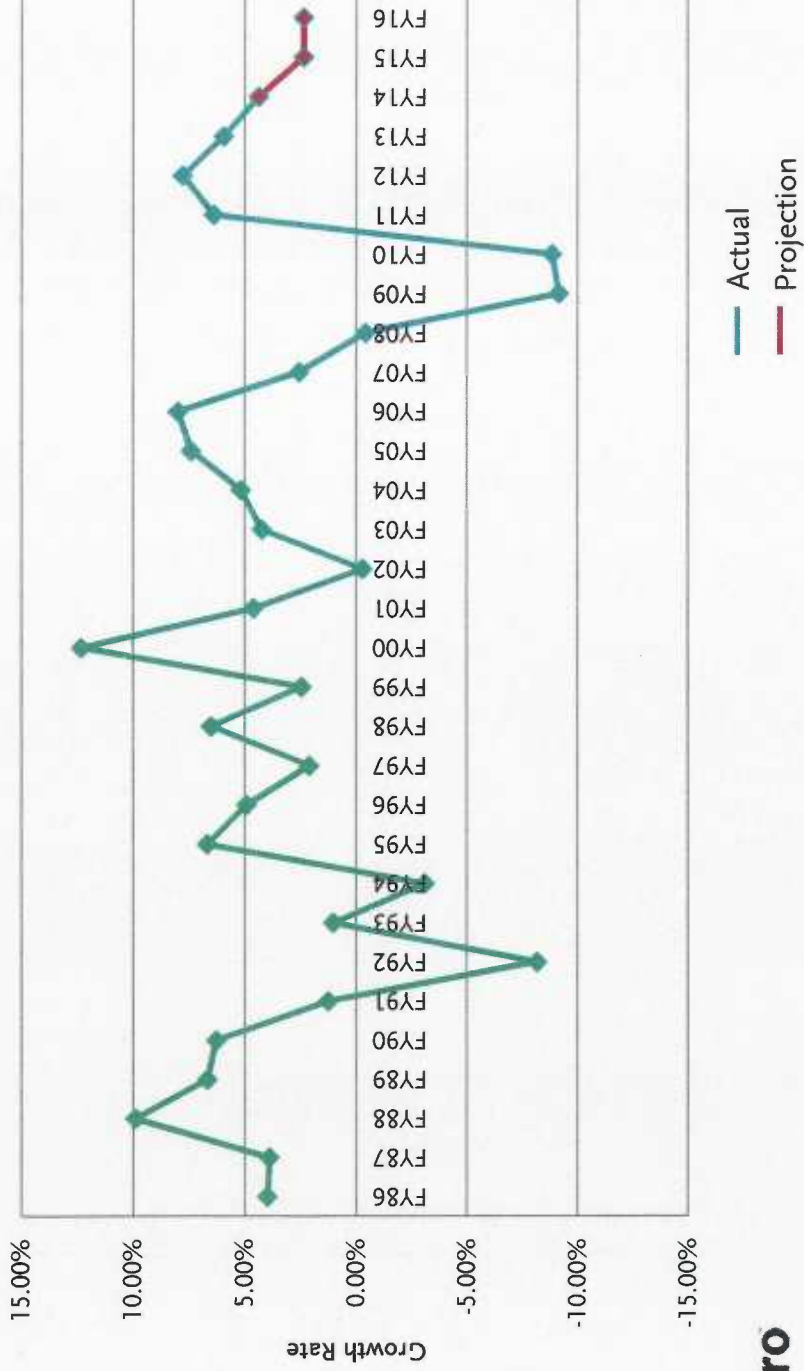


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FY16 Revenue Parameters

- The FY15 sales tax budget is assumed to grow 2.4% above the FY14 actuals. Given that FY15 first quarter actual revenues are only slightly above budget (1.3%) and a drop in revenue growth from FY12 to FY15, the FY16 sales tax growth rate is assumed to continue growing at 2.4% over FY15 Budget in order to provide a conservative approach to revenue projections.

Sales Tax Growth Rate



FY16 Revenue Parameters

- FY16 sales tax growth is 2.4% applied to FY15 budget.
- Fare revenue is estimated at \$363.2M based on the new fare restructure and boarding projections with the addition of new rail services. No increases for FY16 is assumed.
- Impact of fare restructuring will be evaluated and reported to the Board within three to six months.
- Continued STA funding of \$83.6M (Metro's share = \$72M).
- Ongoing federal and state grants for Preventive Maintenance, bus acquisition, bus facilities improvements, Light Rail vehicle purchases and construction projects i.e. Crenshaw/LAX Transit Corridor, Gold Line Foothill Extension, Westside Subway Extension Section 1, Regional Connector.
- CMAQ Operating assumed for the first 36 months of revenue operation for Wilshire BRT Transitway, EXPO II to Santa Monica and Gold Line Foothill Extension.
- A combination of Debt and TIFIA Financing will be used to fund capital and major construction activities. Additional debt financing information will be provided through the budget development process.
- Federal CNG fuel credit estimated at \$18M will be programmed in FY16.
- Additional funding from Cap and Trade Program will generate \$7M regionwide and will be allocated according to Formula Allocation Procedure (FAP). Metro's share is estimated to be \$6M.



FY16 Expense Parameters

- CPI for FY16 is projected at between 1.4% and 2.4% based on leading forecasting agencies. This assumption will be updated during the budget process as more information becomes available.
- FTEs assumed at current level unless justified by new services or projects as directed. New FTEs will be added through the budget process.
- For SMART, ATU and TCU members, FY16 Proposed budget salaries and fringe benefits will grow by negotiated rates per the Union Contract terms.
- Operations staffing positions (Operators, Mechanics, and Wayside Inspectors) linked directly to existing service levels and pre-revenue activities for EXPO II to Santa Monica and Gold Line Foothill Extension, as previously approved by the Board.
- Expense consumables (e.g. fuel, parts) linked directly to service levels.



FY16 Service Parameters

Bus Revenue Service Hours (RSH)

- Remain constant at the FY15 level of 7,061,700; Boardings to remain constant.
- Any service changes approved by the Board will be reflected and amended into the FY16 budget.

Rail Revenue Vehicle Service Hours (RVSH)

- Assumes that Gold Line Foothill Extension and EXPO II to Santa Monica will begin revenue service during the last quarter of FY16.
- Metro Rail service will increase by 66,700 or 6.5% RVSH for a total of 1,094,500, a 4.5% increase in Boardings.

Deferred Maintenance

- Focuses on the delivery of safety and service reliability related maintenance projects for Metro Bus and Rail systems.
- Vehicle replacement for buses, light rail, and heavy rail are at the forefront of the program; also perform component overhaul and midlife service to mitigate the deferred maintenance backlog until new vehicles are delivered.
- Emphasis will be placed on the older Blue and Red rail lines.



FY16 Capital and Construction Parameters

- Design and construction efforts are ongoing for Crenshaw/LAX Transit Corridor, Regional Connector, and Westside Subway Extension Section 1 projects.
- Westside Subway Extension Section 2 plans for ongoing preliminary design and FFCA evaluation.
- TIFIA and TIGER II grants approved for Crenshaw/LAX Transit Corridor in Fall of 2013 will commence drawdown in FY16.
- Full Funding Grant Agreements (FFCA) adopted in Summer of 2014 for Westside Subway Extension Section 1 and the Regional Connector will commence drawdown in FY16.
- Additional procurements are anticipated for the Southwestern Yard and Paint/Body Shop associated with Crenshaw/LAX Transit Corridor.
- Highway projects will continue per the Measure R ordinance schedule.
- New bus and rail vehicle purchases.



Risks

- Sales tax growth lower than included in the Assumptions.
- Cost Inflation greater than included in the Assumptions.
- Reduced STA funding, which is based on diesel fuel consumption in the county.
- Delay in Federal grant funding approval by Congress.
- Failure of the State to issue Prop 1B bonds and/or High-speed rail bonds.



Budget Development Timeline

December	Budget Development Strategies
January	Sales Tax and Expense Assumptions
February	Capital Program
March	FTE, Subsidies, Operating and Agencywide Expenses
April	Proposed Budget
May	Board Adoption

Extensive detailed workshops with key stakeholders:

- Board of Directors
- Board Committees
- Board Deputies
- Executive staff
- Citizen Advisory Council
- Regional Technical Advisory Committee
- Transit Operations Subcommittee
- Service Councils
- Electronic digital media (e.g. social media, the Source, webinar, web page, etc.)

