## FY17 Budget Development Process

<table>
<thead>
<tr>
<th>Year</th>
<th>Board Status Updates</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 2016</td>
<td>RAM initiatives adopted for FY17 implementation</td>
</tr>
</tbody>
</table>
| 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.

<table>
<thead>
<tr>
<th>Program Type ($ in millions)</th>
<th>FY16 Adopted Budget</th>
<th>% of Total FY16 Budget</th>
<th>Zero-Based Budget Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zero-Based Budget-Eligible</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metro Operations</td>
<td>$1,472.4</td>
<td>26%</td>
<td>Service levels and specific cost drivers</td>
</tr>
<tr>
<td>General Planning, Programs, and Oversight</td>
<td>169.8</td>
<td>3%</td>
<td>Project priority, deliverables and historic delivery rate</td>
</tr>
<tr>
<td>Congestion Management</td>
<td>93.1</td>
<td>2%</td>
<td>Utilization of toll roads, FSP, and SAFE</td>
</tr>
<tr>
<td>Subtotal Zero-Based Budget-Eligible</td>
<td>1,735.3</td>
<td>31%</td>
<td></td>
</tr>
<tr>
<td>Program-Driven</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metro Capital</td>
<td>2,131.3</td>
<td>38%</td>
<td>Previously-adopted Life of Project and cash flows</td>
</tr>
<tr>
<td>Subsidy Funding Programs</td>
<td>1,373.1</td>
<td>25%</td>
<td>Formula allocation</td>
</tr>
<tr>
<td>Debt Service</td>
<td>328.7</td>
<td>6%</td>
<td>Debt service requirements</td>
</tr>
<tr>
<td>Subtotal Program-Driven</td>
<td>3,833.1</td>
<td>69%</td>
<td></td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$5,568.4</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>
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
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

<table>
<thead>
<tr>
<th></th>
<th>Est. FY17 Realization</th>
<th>Est. FY18 Realization</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO Authority</td>
<td>$67,719,690</td>
<td>$54,711,100</td>
</tr>
<tr>
<td>Board Action</td>
<td>104,122,800</td>
<td>34,673,333</td>
</tr>
<tr>
<td>Est. Revenues/Savings</td>
<td>$171,842,490</td>
<td>$89,384,433</td>
</tr>
</tbody>
</table>

**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%.
Revenue Assumptions (Fare Revenue)

- While boardings have declined by about 4% year over year, systemwide boardings are projected to improve by 2% with the EXPO II (SM) and Gold Line (Azusa) extensions.
- Increased boardings of 10M projected for the rail extensions, totaling $7.5M (2.3% increase) in new fare revenues.

**Annual Change in Ridership**

![Graph showing annual change in ridership with specific lines such as Orange Line Canoga Extension, Gold Line Eastside Extension, and EXPO II to Santa Monica and Gold Line Azusa Extension.](image-url)
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.