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REVISED

FINANCE, BUDGET & AUDIT COMMITTEE

MARCH 18, 2015

EXECUTIVE MANAGEMENT COMMITTEE

MARCH 19, 2015

**SUBJECT: FISCAL YEAR 2016 (FY16) BUDGET STATUS UPDATE ON METRO
BUS AND RAIL OPERATIONS**

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file a report on Metro's FY16 Budget and service levels for Metro Bus and Rail Operations.

ISSUE

This is the monthly status report for the FY16 Budget. This report includes service levels for Bus and Rail in FY16 and outlines a preliminary budget estimate for Operations.

DISCUSSION

Bus and Rail Service Levels

Overall, bus and rail services will increase by 0.8 percent because of the start of revenue operations on the Gold Line Foothill 2A and Expo 2 extensions (see Attachment A).

Bus Service

The FY16 Budget anticipates no overall change in bus service hours. However, Silver Line services will increase by 10,013 hours, or an 11.9 percent increase on the Silver Line, which will be offset by a reduction of 10,013 hours, or 0.2 percent, in services on all other local and rapid bus lines through more efficient scheduling.

Rail Service

The FY16 Budget anticipates a 6.5% increase in rail services because of the start of revenue operations on the Gold Line Foothill 2A and Expo 2 extensions in the fourth quarter of FY16.

Bus and Rail Operating Budget

Metro anticipates the budget for Bus and Rail Operations to be approximately \$1.5 billion in FY16. The primary cost drivers for Metro operating expenses include projected revenue service hours, previously negotiated labor contracts (ATU, SMART, TCU, and AFSCME), 1.97% Consumer Price Index (CPI) growth, utilities growth, additional FTEs to optimize use of overtime for State of Good Repair, and the start of revenue operations on the Gold Line Foothill 2A and Expo 2 extensions (see Attachment B).

The additional operating costs will increase the FY16 Bus and Rail Operating Budget by \$69.9 million, or 5.0 percent, from the FY15 Budget of \$1.387.1 million to \$1,457.0 million in FY16.

Additional Programs and Initiatives

There are some new initiatives and areas that require further analysis that will be presented to the Board at a later date by the respective departments. These areas are Division 13 operations plan, prevailing wage provisions, and the conversion of part-time operators to full-time operators. The Budget will be amended to include the impact of these initiatives based on Board discussion and approval. We estimate the range of associated additional expenditures to be approximately \$44.1 million, or 3 percent, increasing the projected FY16 Bus and Rail Operating Budget from \$1,457.0 million to \$1,501.1 million (see Attachment C).

NEXT STEPS

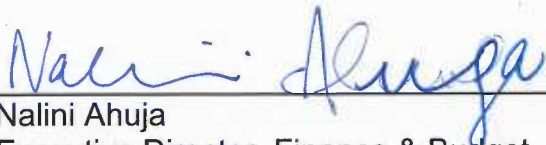
We will continue to update the Board, Board staff, and the general public via advisory committees in the coming weeks and report back to the Finance, Budget, and Audit Committee.

The April 2015 update on the FY16 Budget process will discuss FTE requirements and projected expenditures for debt subsidy and municipal operators.

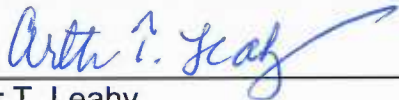
ATTACHMENTS

- A. Service Summary
- B. Preliminary FY16 Budget for Bus and Rail Operations
- C. Additional Programs and Initiatives to be Presented Separately to the Board

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ATTACHMENT A

SERVICE SUMMARY

Revenue Vehicle Service Hours	FY15 Budget	FY16 Proposed	Incr.+ / (Decr)	% Change
1 Bus				
2 Local and Rapid	6,327,663	6,317,650	(10,013)	-0.2%
3 Silver Line	84,380	94,393	10,013	11.9%
4 Orange Line	130,516	130,516	-	0.0%
5 Purchased Transportation	519,176	519,176	-	0.0%
6 Subtotal - Bus	7,061,735	7,061,735	-	0.0%
7				
8 Light Rail				
9 Blue Line	294,483	294,483	-	0.0%
10 Green Line	93,589	93,589	-	0.0%
11 Gold Line	190,057	214,069	24,012	12.6%
12 Expo Line	124,160	166,848	42,688	34.4%
13 Subtotal - Light Rail	702,289	768,989	66,700	9.5%
14				
15 Heavy Rail	325,510	325,510	-	0.0%
16				
17 Subtotal Rail	1,027,799	1,094,499	66,700	6.5%
18				
19 Total	8,089,534	8,156,234	66,700	0.8%

ATTACHMENT B

PRELIMINARY FY16 BUDGET FOR BUS AND RAIL OPERATIONS

	Total	Change	% Change
FY15 Bus & Rail Operating Budget	\$ 1,387.1		
Baseline FY16 Budget Impact			
Negotiated Labor Contracts (ATU, SMART, TCU, AFSCME)	\$ 35.2		2.5%
(3% wage increase, 5% fringe benefits increase, and increase in Workers Comp and PL/PD)	5.7		0.4%
1.97% CPI Growth for Consumable Materials and Services	(4.0)		-0.3%
CNG Fuel Price Savings	5.1		0.4%
Utilities Growth	10.7		0.7%
Additional FTEs to Optimize Use of Overtime for State of Good Repair	\$ 52.6		3.8%
Subtotal Baseline FY16 Budget Impact	\$ 1,439.7		
Anticipated FY16 Bus & Rail Operating Budget, including Baseline Impacts			
Operating Expenditures Related to Gold Line Foothill 2A / Expo 2 Expansion			
Revenue Operations - FY16 Q4	\$ 17.4		1.3%
Anticipated FY16 Bus & Rail Operating Budget, including Foothill and Expo Expansions	\$ 1,457.0	\$ 69.9	5.0%
Additional Gold Line Foothill 2A / Expo 2 Expenditures Eligible for Capitalization			
Gold Line Foothill 2A/EXPO Expansion - System Integration & Pre Revenue	\$ 26.6		1.9%

ATTACHMENT C

ADDITIONAL PROGRAMS AND INITIATIVES TO BE PRESENTED SEPARATELY TO THE BOARD

(\$ in millions)

	Total	Change	% Change
23			
24			
25	\$ 1,457.0		
26			
27			
28		\$ 20.0	1.4%
29		4.1	0.3%
30		20.0	1.4%
31	\$ 44.1	\$ 44.1	3.0%
32			
33	\$ 1,501.1		3.0%