

FY16 Budget Process Update

Metro Bus and Rail Operating
(Fares, Boardings, Revenue Service Hours and Expense Estimates)

Finance, Budget, and Audit Committee

March 18, 2015

Executive Management Committee

March 19, 2015



Metro

FY16 Budget Development Process

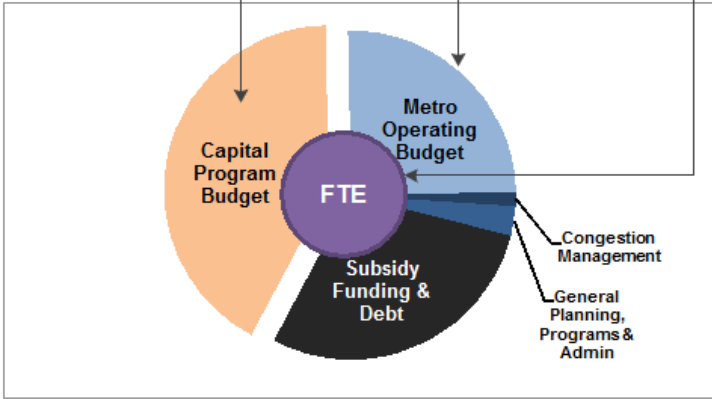
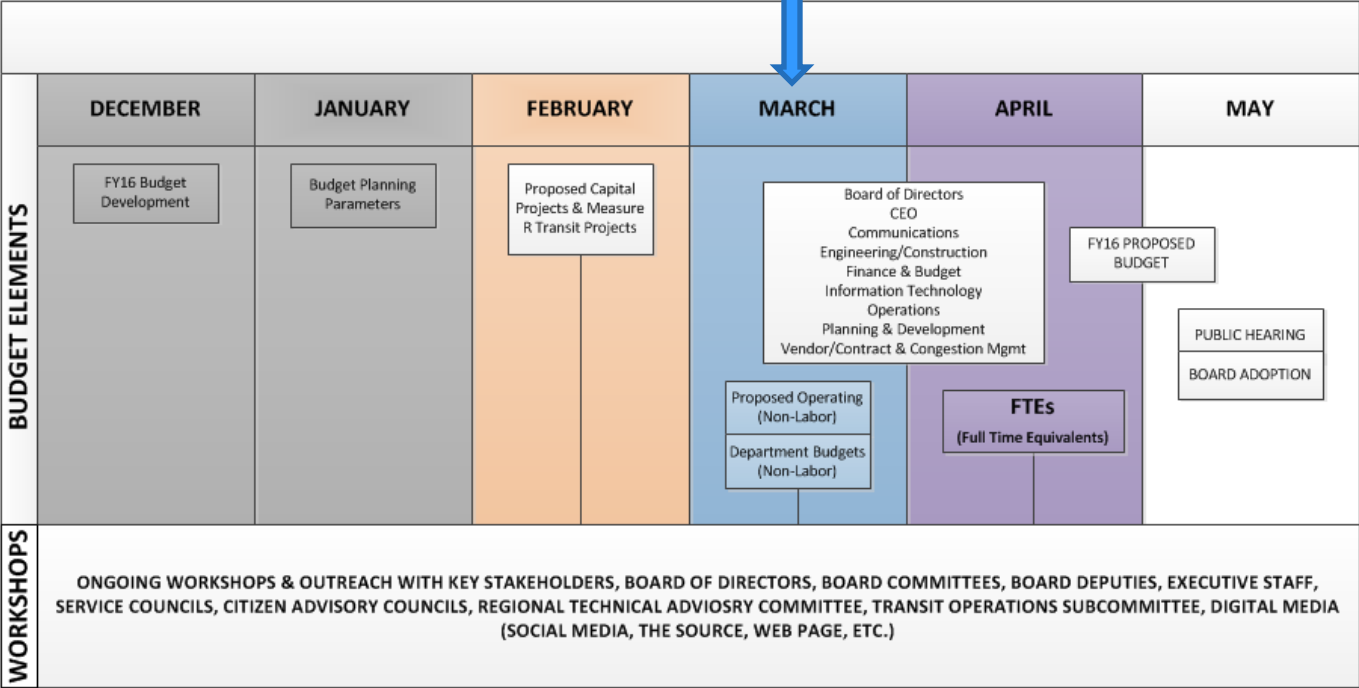


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Fare Revenues & Ridership Trends



Metro

Fare Change Update

	FY13 (Actual)	Projections	FY15 (As of 2/2015)	Status
Boardings	472.7M	 4%	 5%	Ridership decline more than anticipated. Experiencing ridership decline (April 2014) even before fare change.
Revenues	\$ 330.6M	 \$28.6M (\$20M in FY15)	 \$ 9.8M	As of February 2015, fare revenues have increased by \$9.8M since the fare change implemented September 15, 2014.
Fare per Boarding	\$0.69	\$0.74	 \$0.76 (YTD)	On Target, if ridership does not continue to decline.

- While fare per boarding is up and on target, the decline in boardings may impact the overall fare revenues
- Ridership is a major factor in achieving revenue projections
- Decline in boardings started before fare change (April 2014) and continues



Countywide Revenue Service Hours (1985-2013)

Revenue Vehicle Service Hours

		1985	1990	1997	2000	2005	2010	2013	% Change 85-13	
1	Bus	LACMTA (Bus)	7,041,642	6,953,600	6,292,124	6,942,309	7,482,651	7,432,478	6,804,117	-3%
2		Muni Operators	1,259,700	1,538,700	2,301,416	2,890,293	4,093,514	3,786,190	4,123,870	227%
3		Subtotal (Bus)	8,301,342	8,492,300	8,593,540	9,832,602	11,576,165	11,218,668	10,927,987	32%
4		<i>Ann Change</i>		2%	1%	14%	18%	-3%	-3%	
5	Rail	LACMTA (Rail)			283,844	381,569	609,017	685,536	956,073	237%
6		Metrolink			126,254	157,007	223,986	261,766	337,976	168%
7		Subtotal (Rail)			410,098	538,576	833,003	947,302	1,294,049	216%
8		<i>Ann Change</i>				31%	55%	14%	37%	
9	Total	Total (System)	8,301,342	8,492,300	9,003,638	10,371,178	12,409,168	12,165,970	12,222,036	47%
10		<i>Ann Change</i>		2%	6%	15%	20%	-2%	0%	
11	% Total	LACMTA (Bus)	85%	82%	70%	67%	60%	61%	56%	
12		LACMTA (Rail)	0%	0%	3%	4%	5%	6%	8%	
13		Muni Operators	15%	18%	26%	28%	33%	31%	34%	
14		Metrolink	0%	0%	1%	2%	2%	2%	3%	

- From 1985-2013 Metro bus service decreased 3% while Muni bus increased 227%, representing a 32% increase in overall bus service
- Metro bus decreased from 85% of total regional transit service to 56% while Muni bus increased from 15% to 34%
- Rail service increased from 0% in 1985 to 11% in 2013

Countywide Boardings (1985-2013)

Boardings

		1985	1990	1997	2000	2005	2010	2013	% Change 85-13	
1	Bus	LACMTA (Bus)	497,158,321	401,054,700	351,289,226	359,001,513	377,268,411	365,975,482	359,504,030	-28%
2		Muni Operators	54,900,600	65,573,000	87,838,916	105,579,793	135,992,801	137,095,260	130,687,674	138%
3		Subtotal (Bus)	552,058,921	466,627,700	439,128,142	464,581,306	513,261,212	503,070,742	490,191,704	-9%
4		<i>Ann Change</i>		-15%	-6%	6%	10%	-2%	-3%	
5	Rail	LACMTA (Rail)			34,287,541	57,817,208	74,242,912	94,314,992	113,168,662	230%
6		Metrolink			5,534,633	6,978,588	10,693,327	12,005,849	13,444,752	143%
7		Subtotal (Rail)			39,822,174	64,795,796	84,936,239	106,320,841	126,613,414	218%
8		<i>Ann Change</i>				63%	31%	25%	19%	
9	Total	Total (System)	552,058,921	466,627,700	478,950,316	529,377,102	598,197,451	609,391,583	616,805,118	12%
10		<i>Ann Change</i>		-15%	3%	11%	13%	2%	1%	

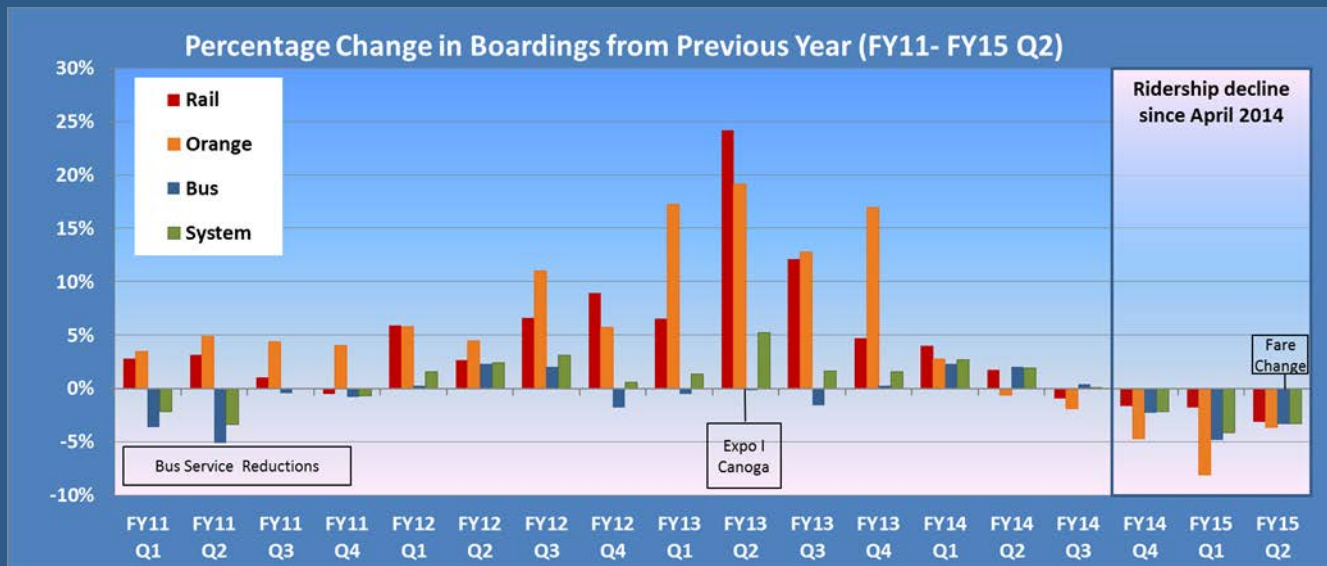
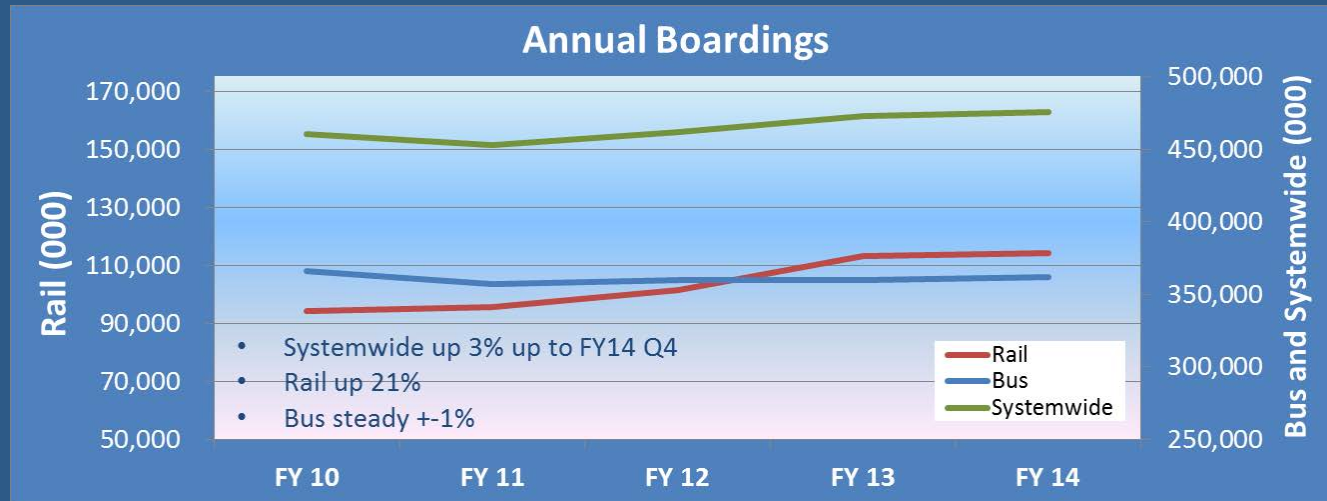
Boardings per Hour

		1985	1990	1997	2000	2005	2010	2013	% Change 85-13	
1	Bus	LACMTA (Bus)	71	58	56	52	50	49	53	-25%
2		Muni Operators	44	43	38	37	33	36	32	-27%
3		Subtotal (Bus)	67	55	51	47	44	45	45	-33%
4		<i>Ann Change</i>		-17%	-7%	-8%	-6%	1%	0%	
5	Rail	LACMTA (Rail)			121	152	122	138	118	-2%
6		Metrolink			44	44	48	46	40	-9%
7		Subtotal (Rail)			97	120	102	112	98	1%
8		<i>Ann Change</i>				24%	-15%	10%	-13%	
9	Total	Total (System)	67	55	53	51	48	50	50	-24%
10		<i>Ann Change</i>		-17%	-3%	-4%	-6%	4%	1%	

- With the decrease in Bus Boardings from 1985 – 2013 and the increase in Revenue Service Hours, Boardings/Revenue Hour decreased 25% on Metro Bus



Change in Boardings



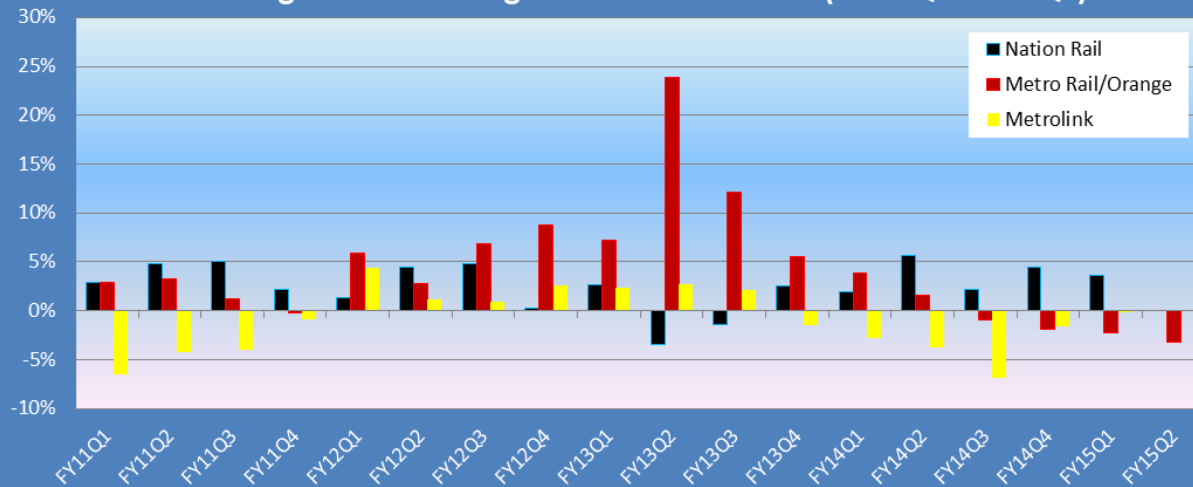
National, Metro and Other LA County Bus/Rail Boarding Trends

Bus Boardings Percent Change from Previous Year (FY11 Q1-FY15 Q2)



- Bus boardings are declining nationally and locally at greater rate than Metro.

Rail Boardings Percent Change from Previous Year (FY11 Q1- FY15Q2)



- Metro rail and Metrolink boardings started to decline since FY14 Q4, while National rail boardings increased during the same time

Ridership Factors




Correlation of External Factors	Bus	Rail/BRT	System
Gas price	0.18	0.07	0.18
Total Employment	0.24	0.47	0.44
Manufacturing Employment	0.43	0.78	0.76
Wholesale Trade Employment	0.33	0.71	0.66
Education/Health Services Employment	0.30	0.50	0.50
Leisure/Hospitality Employment	0.36	0.52	0.56
Financial Activities Employment	-0.02	0.64	0.35
School Enrollment	0.30	0.13	0.31
Car Sales	0.00	0.60	0.35
Other options (e.g, Uber/Lyft/Bikes)	N/A	N/A	N/A

Supply/Quality of Service

- Network Structure, Service Levels
- On Time Performance
- Loads and Pass Ups
- Safety/Security

Pricing

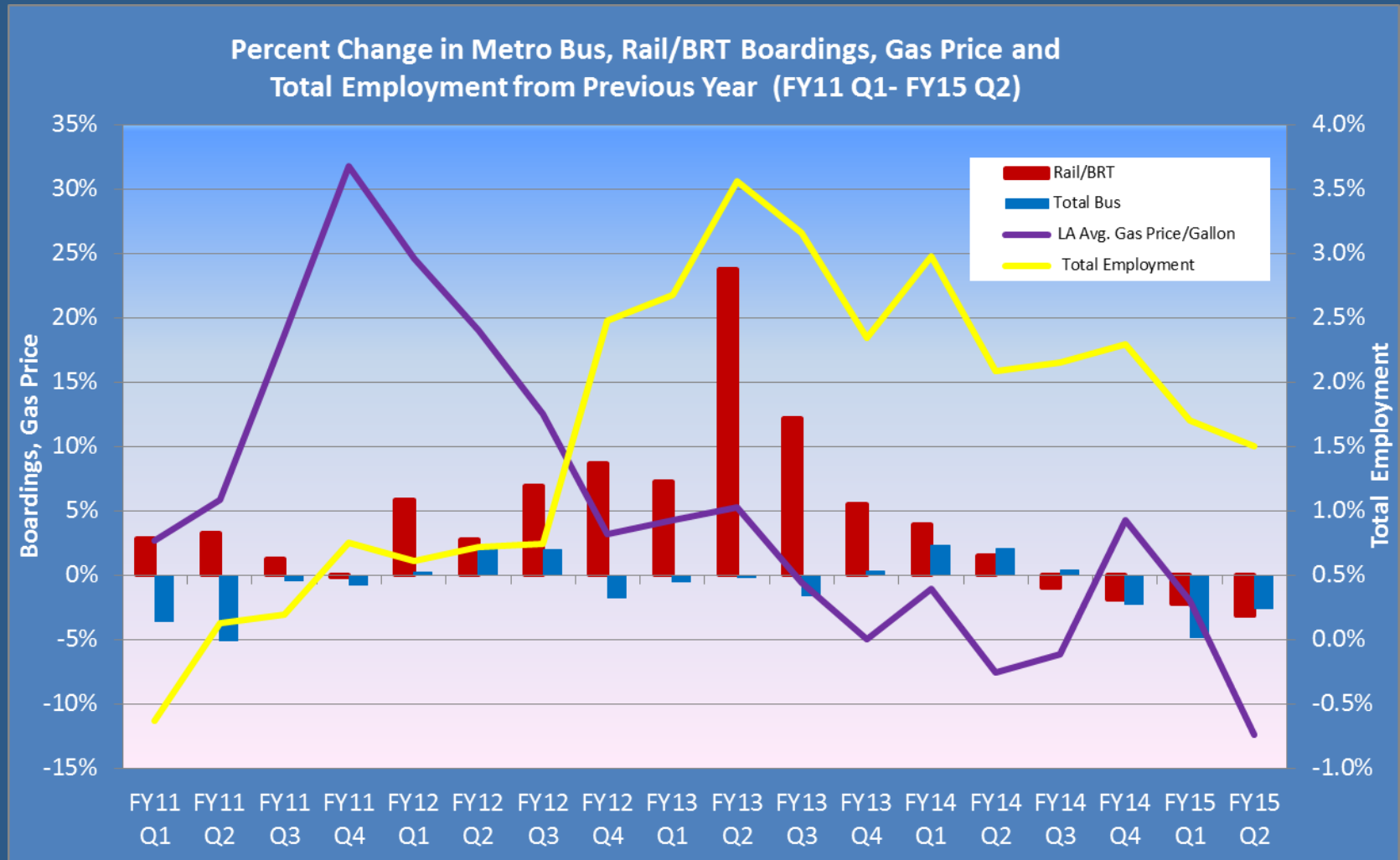
- Fares
- Fare enforcement

-  - Strong correlation
-  - Weak correlation
-  - No correlation

Correlation between:
 +1.0 = Positive Correlation
 - 0.0 = No Correlation
 -1.0 = Negative Correlation



Impact of Gas Price and Employment



There is no relationship between gas prices and ridership as nearly 70% of Metro riders do not have a car available for their trip. However, employment is strongly related to Rail/BRT ridership.



Summary of Findings

Factor	Ridership Impact
National and Local Trends	<ul style="list-style-type: none"> • Bus ridership, both nationally and locally, have declined since FY14Q4 • Despite a growth in national rail ridership, local rail ridership has declined
Employment	<ul style="list-style-type: none"> • Bus ridership has a moderate relationship with Manufacturing • Rail/BRT ridership has a strong relationship with Manufacturing, Wholesale Trade, Leisure/Hospitality, Education/Health Services, and Financial Activities
School Demand	<ul style="list-style-type: none"> • There is a moderate relationship between LA County K-12 school enrollment and Bus ridership, but no relationship with rail ridership
Gas Prices	<ul style="list-style-type: none"> • There is no relationship between gas prices and ridership
Car Sales	<ul style="list-style-type: none"> • There is a strong relationship between vehicle registration and Rail/BRT ridership, indicating that both car sales and Rail/BRT usage increases and decreases in parallel with the economy

Next Steps

There is no one factor that significantly influences bus ridership, signifying the bus network serves multiple purposes for various sectors of the population.

Conversely, rail ridership is strongly influenced by employment in certain industries.

Therefore, to reverse the downward trend in ridership, Metro as an agency should take a multi-pronged approach to focus on internal factors that influence ridership:

- Analyze high growth bus and rail lines and identify the keys to success that can be replicated elsewhere in the system;
- Study opportunities for ridership growth by identifying new markets and understanding what service attributes are important to them;
- Analyze options for restructuring the bus network, including better linking employment centers with rail, and developing new services based on the attributes important to attracting new markets;
- Identify ways to price and promote transit services to increase use, particularly during times when excess capacity exist on the rail network.



Bus & Rail Transit Operations

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

State of Good Repair

- 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
- Focuses on the delivery of safety and service reliability related maintenance projects for Metro Bus and Rail systems
- Emphasis will be placed on the older Blue and Red rail lines



FY16 Preliminary Operating Budget (Enterprise Fund)

	Total	Change	% Change
FY15 Bus & Rail Operating Budget	\$1,387.1		
Baseline FY16 Budget Impact			
Negotiated Labor Contracts (ATU, SMART, TCU, AFSCME) (3% wage increase, 5% fringe benefits increase, and increase in Workers Comp and PL/PD)	\$ 35.2		2.5%
1.97% CPI Growth for Consumable Materials and Services	5.7		0.4%
CNG Fuel Price Savings	(4.0)		-0.3%
Utilities Growth	5.1		0.4%
Additional FTEs to Optimize Use of Overtime for State of Good Repair	10.7		0.7%
Subtotal Baseline FY16 Budget Impact	\$ 52.6		3.8%
Anticipated FY16 Bus & Rail Operating Budget, including Baseline Impacts	\$1,439.7		3.8%
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%

Additional Programs and Initiatives

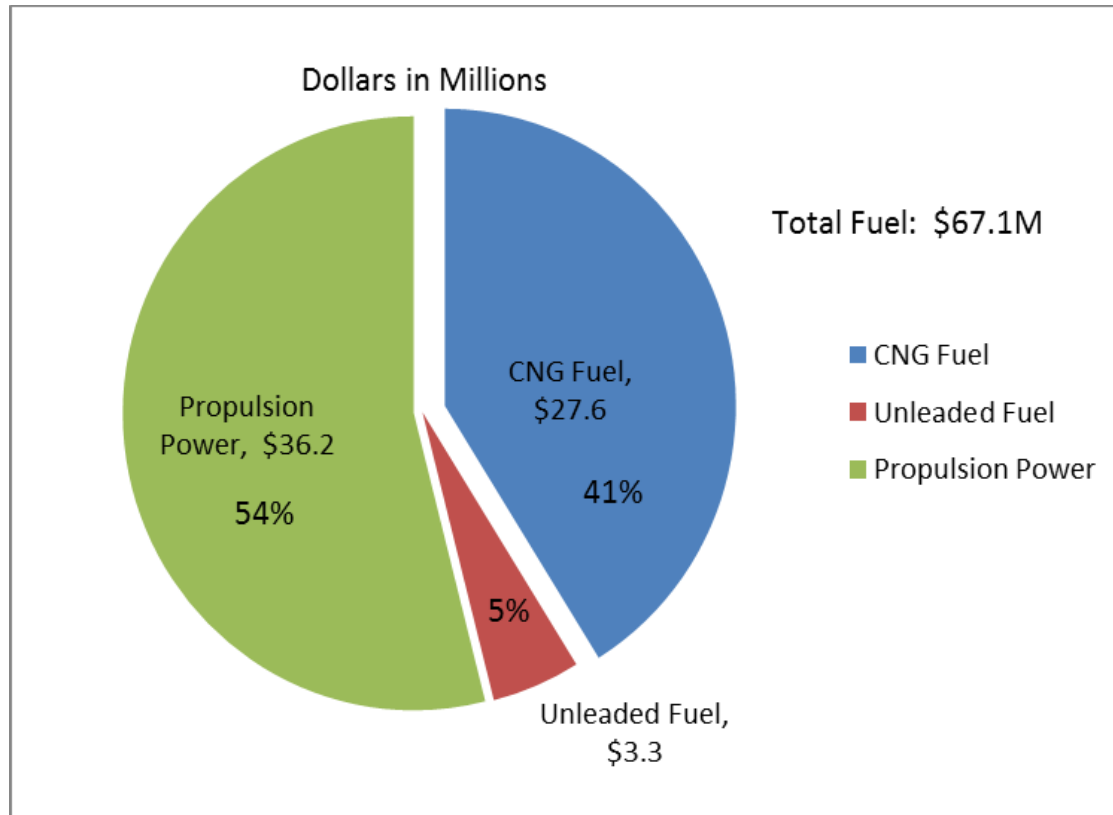
(through separate Board Report)

(\$ in millions)

	Total	Change	% Change
Anticipated FY16 Bus & Rail Operating Budget, including Baseline Impacts	\$ 1,457.0		
Additional Programs and Initiatives to be Presented Separately to the Board		Range of Estimate	
Prevailing Wage Provisions	\$	20.0	1.4%
Division 13 Operations Plan		4.1	0.3%
Annualized Conversion of Part-Time Operators to Full-Time Operators		20.0	1.4%
Subtotal Estimated Additional Budget Impact Range	\$	44.1	3.0%
FY16 Budget Increase with all Baseline and Other Budget Impacts Included	\$ 1,501.1		3.0%

Based on Board input and approval, the financial impact will be included in the budget at a later date.

Metro Fuel Consumption



- Current CNG rate is \$0.58 per therm; The projected FY16 rate is \$0.50 (13.7% Decrease)
- Rate change will result in a **\$4.0 million savings** that will be allocated to other items to offset CPI inflation

Overtime to Regular Time

- The mechanic overtime to regular time ratio is budgeted at 14%
- Bus overtime is close to the budget; however, rail overtimes is three times higher than the 14% target
- Among the four quadrants of overtime, the burn rate of rail capital overtime requires immediate attention

FY15 Actual Overtime Rate			
	Operating	Capital	Total
Bus	19%	8%	19%
Rail	42%	72%	45%
Total	26%	33%	27%

Potential mitigation strategies

1. Management oversight and accountability to improve overtime usage and efficiency
2. Ensure lower vacancy rate and timely backfill of employees on leave
3. Separate and budget for one time state of good repair and maintenance needs
4. Increase FTE to lower the long term overtime rate to regular ratio
5. Conduct a work study to determine optimal overtime needs and adjust the budget accordingly

