

Structural Deficit

Finance and Budget Committee

February 18, 2009



Metro

FY10 Forecast Deficit Update

(Amounts in Millions)	Forecast	One Time	Structural
Deficit per Ten-Year Forecast	(\$134.1)		(\$134.1)
Increase to Deficit			
Cancellation of Fare Increases	(32.0)	(32.0)	
State Budget Estimate of STA (Metro's Share)	(78.7)		(78.7)
Sales Tax Reforecast			
TDA	(37.5)		(37.5)
PC5 Security	(4.5)		(4.5)
PA35 Rail	(36.1)	(36.1)	
Subtotal Increase to Deficit	(188.8)	(68.1)	(120.7)
Revised FY10 Deficit	(322.9)		
Decrease to Deficit			
Measure R Funding to Backfill Fare Revenue Loss	32.0	32.0	
Prop 1B for Bus Rebuild Program and Contract Service Bus Buy	36.3	36.3	
Prop C 40% for Rail Operating (Substitute for STA and PA35)	76.6	76.6	
DWP Settlement to Fund Operating Expenses	8.2	8.2	
CNG Fuel Credit Extension	5.1	5.1	
Reduction of 160K Duplicative Bus RSH (@\$90.22/RSH)	11.7		11.7
Assumed No Wages Increases	12.2		12.2
Reduce Capital Program	18.0	18.0	
Subtotal Decrease to Deficit	200.1	176.2	23.9
Revised Deficit after Decreases	(\$122.8)	\$108.1	(\$230.9)

Scenarios

- **Not recommendations**
- **Cannot be implemented in FY10**
 - **Consent Decree**
 - **Labor contracts**
 - **Board Measure R fare freeze**
- **Present order of magnitudes only**
- **Models not accurate for large changes**
 - **Ridership impacts**
 - **Revenue/FAP impacts**

Fare Revenue and Boardings

1	Structural Deficit	(\$230.9)
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	(Amounts in Millions)	Reduced Fare Freeze	Regular Fare	Total
2	FY10 Fare Revenue	\$49.0	\$293.0	\$342.0
3	Revenue Increase to Mitigate Deficit	\$0.0	\$230.9	\$230.9
4	Revised Revenue	\$49.0	\$523.9	\$572.9
5	Rate of Fare Revenue Increase	0%	79%	
6				
7	Boardings:			
8	FY10 Brdgs (5.5% inc FY09)	168.2	347.0	515.1
9	Model (-2.3% per 10% fare incr)	0%	-18%	
10	Brdg Loss	-	(62.9)	(62.9)
11	Revised Brdgs	168.2	284.1	452.2
12				
13	Revised Fare/Brdg	\$0.29	\$1.84	\$1.27

Resulting Fare Structure

	Reduced Fare Freeze	Regular Fare	Total
1 Revised Fare/Brdg	\$0.29	\$1.84	\$1.27
2 Fare Efficiency FY08			
3 FY08 Fare/Brdg		\$0.88	
4 FY08 Base Fare		<u>\$1.25</u>	
5 Efficiency		71%	

	Result	Rounded
6 Resulting Fare Structure		
7 Estimated Base Fare: (Fare/Brd) / (Fare Efficiency)	\$2.61	\$2.75
8 Day (5/1.25=4)	\$10.44	\$11.00
9 Weekly (17/1.25=13.6)	\$35.49	\$37.50
10 Monthly (62/1.25=49.6)	\$129.42	\$136.50
11 EZ (70/1.25=56)	\$146.12	\$154.00
12 Sr Cash (.55/1.25=.44)	Frozen	Frozen
13 Sr Day (1.80/1.25=1.44)	Frozen	Frozen
14 Sr Monthly (14/1.25=11.2)	Frozen	Frozen
15 Sr EZ (35/1.25=28)	Frozen	Frozen
16 K-12 (24/1.25=19.2)	Frozen	Frozen
17 College (36/1.25=28.8)	Frozen	Frozen

Deficit Recovery by Bus RSH Changes

	(Dollars in Millions)	Full Cost @ \$127.44/RSH	Marginal @ \$90.22/RSH
1	Service Reductions	2,298,500	3,652,000
2	Service Reduction Rate	30%	47%
3	Savings	\$292.9	\$329.5
4			
5	FAP Loss @ 25%	(\$42.0)	(\$66.7)
6	Rev Loss @ 25%	(\$20.1)	(\$31.9)
7	Savings offsets	(\$62.1)	(\$98.6)
8			
9	Recovered Deficit	\$230.9	\$230.9

Call Box Program

- **Funded by LA SAFE – A separate authority from Metro with dedicated funding (no Metro funds used to support LA SAFE or call box program);**
- **LA SAFE funding restricted per Streets and Highways Code to call boxes and other motorist aid services;**
- **LA SAFE currently operate/supports – Call Box Program, #399 Mobile Call Box Program, 511 – Traveler Information System and Freeway Service Patrol program;**

Call Box Program – Cont'd

- **Call box program was recently scaled down from 4,500 call boxes to approximately 2,700 call boxes (anticipate further decreases in the future);**
- **FY09 Call Box Budget = \$5.2 Million (primarily cost to transition from analog to digital call boxes);**
- **FY10 Projected Call Box Budget = \$1.7 Million;**

Discussion