

METRO TEN-YEAR FORECAST

FY07-FY16

DECEMBER 2006



Metro

PURPOSE

Ensure that all plans, such as the Short Range Transportation Plan, Long Range Transportation Plan, bus and rail service plans, bus and rail fleet plans, and facilities plan are synchronized and constrained within the expected financial resources

ASSUMPTIONS

Revenues:

- Sales tax grows by the 20 year historical average of 3.8%
- The FY07 STA windfall is programmed in FY08
- MOSIP is funded throughout the plan increasing by CPI each year (Muni and Metro)

Assumptions (con't)

- **Ridership increases by 18.6% over 10 years; fare revenues increase at the same rate**
- **No fare increases are included in the forecast**
- **No changes are assumed for the FAP distribution**
- **No fund balances are applied to attempt to balance the bus operating budget**

ASSUMPTIONS (con't)

Expenses:

- **Wages grow according to new Union contracts for first three years; according to CPI for remaining 7 years**
- **Medical benefits grow at 10% per year for all groups**
- **Bus service hours decrease by 5.8% while seat capacity increases through larger bus purchases by 3.9%**

Assumptions (con't)

- Fuel is based on Department of Energy projections and decreases or grows at less than 1% per year
- Rail service increases in FY10 and FY11 as Eastside and Expo are added to revenue service and FY15 for Expo Phase II
- UFS maintenance added beginning in FY08
- All other costs increase by CPI as forecasted by UCLA

Assumptions (con't)

Capital Program:

- **\$180m per year for bus acquisition, bus facilities renovation and construction, bus rebuilds, and IT system developments**
- **\$20m per year for rail facilities, rail vehicle rebuilds, and wayside improvements**

ASSUMPTIONS (con't)

- **Rail vehicle acquisition and rail rehabilitation program is funded beginning in FY08 using Proposition A35% bond funds**
- **All bus and rail “operating capital” have been fully funded**

ASSUMPTIONS (con't)

Major Construction Projects

- All Board-adopted major bus and rail construction projects are fully funded
- Projects not yet adopted by the Board, including new bus operating divisions, are not funded
- Highway projects are included as part of the Long Range Transportation Plan and fully funded

ASSUMPTIONS (con't)

Regional Programs:

- **ASI grows at an average of 11.6% per year**
- **Metrolink operating and capital expenses exceed available revenues and are funded with PC10% debt**
- **Municipal bus operator FAP grows at CPI**
- **All regional subsidies expenses are equal to the sales tax revenues received or are within available bond capacity**

RESULTS

- **The bus operating deficit is projected to be \$1.8B over 10 years**
- **General fund and PC40% fund reserves are less than the projected deficit**
- **All other areas of Metro responsibility are financially sound**
- **The bus cost increases from FY07 to FY16, 23% which is equal to CPI increase**
- **The farebox recovery ratio drops from 24% in FY08 to 22% by FY12**

NEXT STEPS

- **Resolving the deficit must include a strategy of decreasing costs through service reshaping and increasing revenues**
- **Adoption of the Financial Stability Policy will set the policy framework for deficit reduction recommendations – October**

NEXT STEPS (con't)

- **Adoption of a Fare Policy and Farebox Recovery Ratio target will provide direction for the LRTP – November**
- **Adoption of the Business Planning Parameters will set the assumptions for the FY08 budget development and FY09 planning document - January**

FY08 Budget Development Schedule

Sep 06

December 06						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

January 07						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

February 07						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28			

March 07						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

April 07						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

May 07						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Jul 07

Sep. '06 to Feb. '07: Capital Program Development:
 11/6-11/17: Element sponsors review and ranking incl. board staff
 12/11-12/22: Exe. Mgmt review and finalization of capital proj list

Dec. '06: Budget Assumption and System Preparation
 Bus and rail service assumption
 Revenue, salary, and other operating assumptions
 Budget systems set up
 12/14: Business Planning Parameter Workshop

Jan. '07: Budget Planning
 1/17: Budget kick off meeting
 1/18 to 1/31 budget planning tool submittal
 1/25: Business Planning Parameter Adoption

Feb. '07: Budget Plan review, Target Development and Budget Data Entry
 2/6 to 2/9: Executive Management review of budget plan
 2/12 to 2/16: Agency wide budget hearing and Board Staff review of budget plan
 2/21 to 3/6: Budget data entry to BIAS

Mar. '07: Finalization of FY08 Proposed Budget
 3/6: BIAS system close for calculation
 3/12-3/16: Exe mgmt review
 3/19-3/23: Dept revision to proposed budget
 3/26-3/30: Board staff review and finalization of FY08 proposed budget

Apr. '07: FY08 Budget Book Production
 4/2 to 4/13: Budget book material collection and editing
 4/16 to 4/25: Budget book draft and review
 4/25 to 5/4: Budget book printing

May '07: Budget Adoption
 5/4: Distribution of FY08 budget book
 w/o 5/7 to 5/11: Board staff review and Board workshop
 w/o 5/14: Public hearing
 5/24: Board meeting (budget adoption)

Jun '07: Set up for FY08 Budget Commencement

Metro Dept	Exe. Mgmt	Board Staff	Board
✓	✓	✓	
✓			
	✓	✓	
✓	✓		✓
✓	✓		
✓		✓	
✓			
	✓	✓	✓
			✓
			✓