

# Structural Deficit

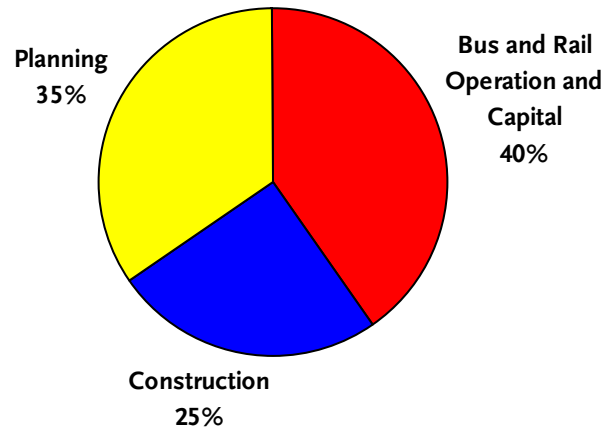
Updated Fall 2006



**Metro**

# Metro's Total Annual Budget is Nearly \$3 Billion

- **3 Core Business Units**
  - Bus and Rail Operations and Capital programs
  - Countywide Planning and Development
  - Major Construction Program
- Bus and rail operations and future capital programs (Enterprise Fund) have a structural deficit
- No deficits in Planning or Construction
  - Programs are limited to funds available



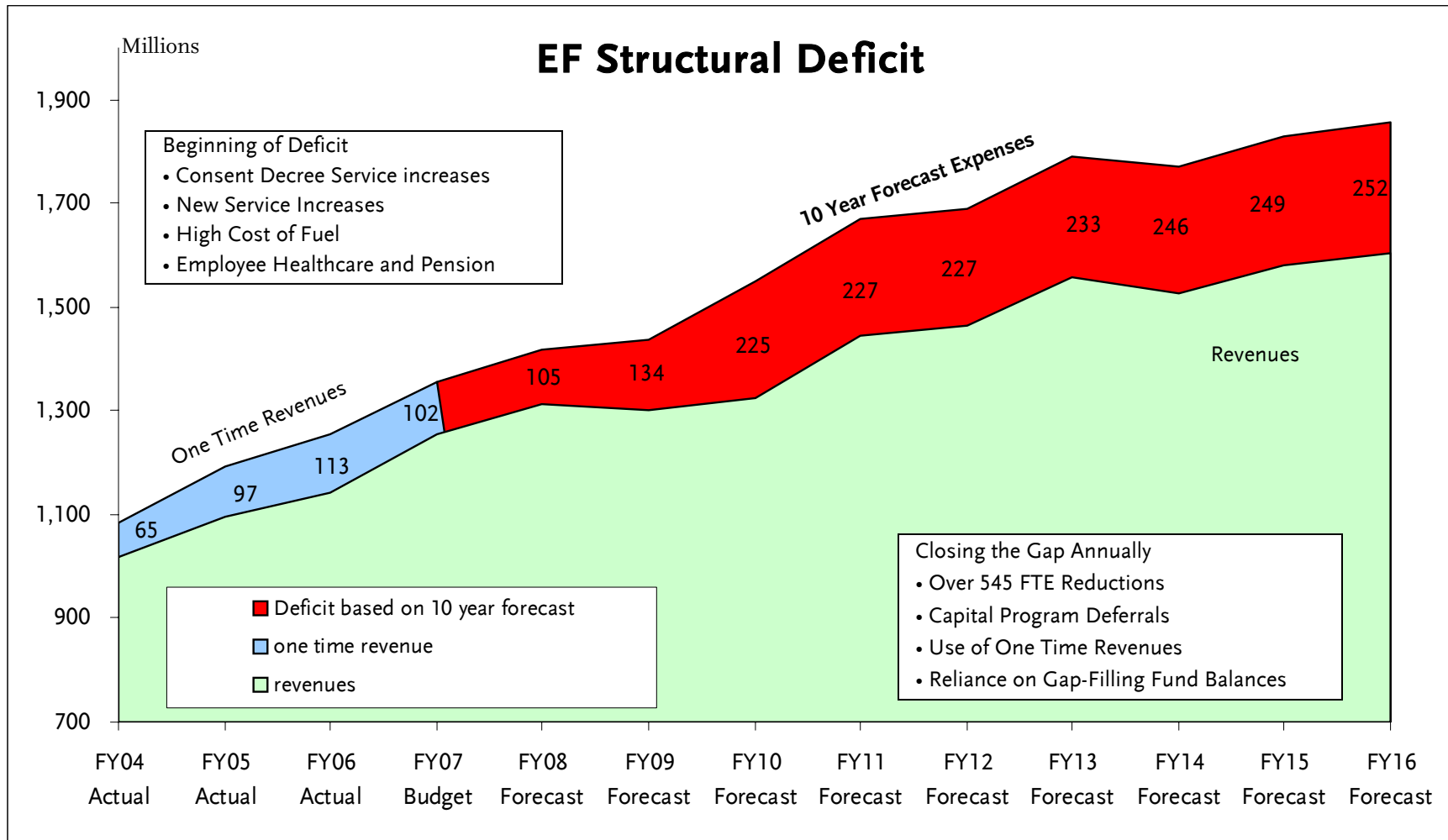
# Structural Deficit

- **Operating and capital expenses exceed fares, advertising and formula subsidies**
- **Rail has no formula subsidies**
  - **Discretionary allocations from Prop C 40% are used to balance costs**
- **FY07 budget bus deficit - \$112 million**

# How We Got Here

- **Consent Decree**
  - 1.4 million annual revenue service hours
  - Approximately \$166 million per year
  - 2143 bus purchases
- **Transit improvements**
  - Blue Line service increases (3 car trains)
  - Red Line
    - Segment 2
    - Segment 3
  - Gold Line
  - Orange Line
  - Metro Rapid improvements
- Fuel price escalated 117% in the past 5 years
- Employee healthcare and pension costs increased 90% in the past 5 years

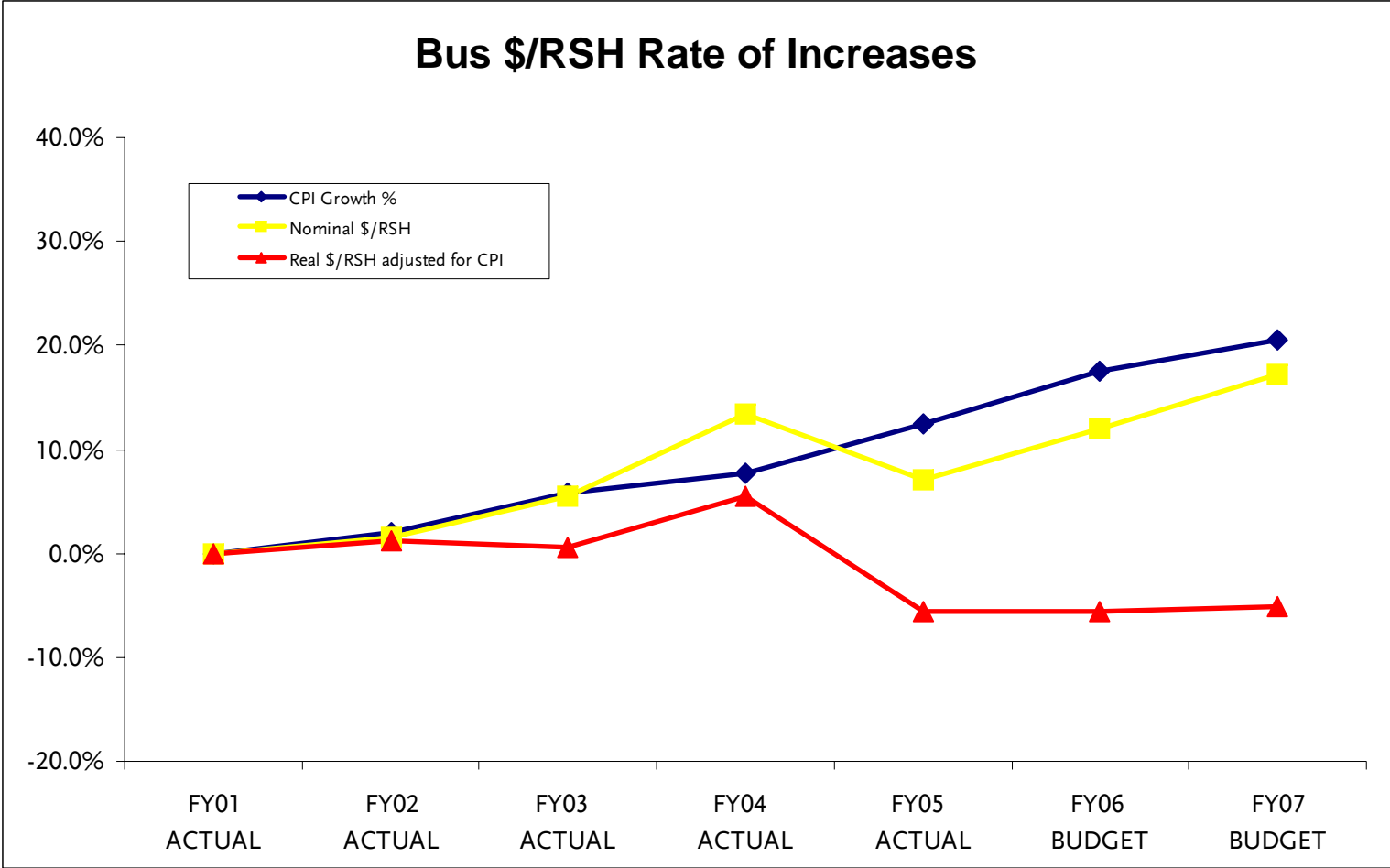
# Structural Deficit Forecast



# What We are Doing about the Structural Deficit

- **Aggressively identifying efficiencies**
  - Reduced 545 FTE's since FY04
- **Focusing resources to increase ridership**
- **Extending life of capital assets to reduce annual capital expenditure requirements**
- **Deferring non safety-related capital maintenance programs**
- **Pursuing joint development projects to enhance revenues**
- *Making tough choices*

# Bus Expenses – Cost per Revenue Service Hour



\* Reflects 34 day strike



# Discussion