

Structural Deficit

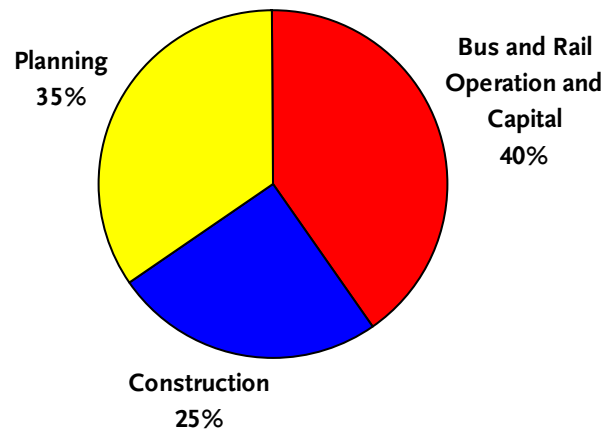
Updated Fall 2006



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



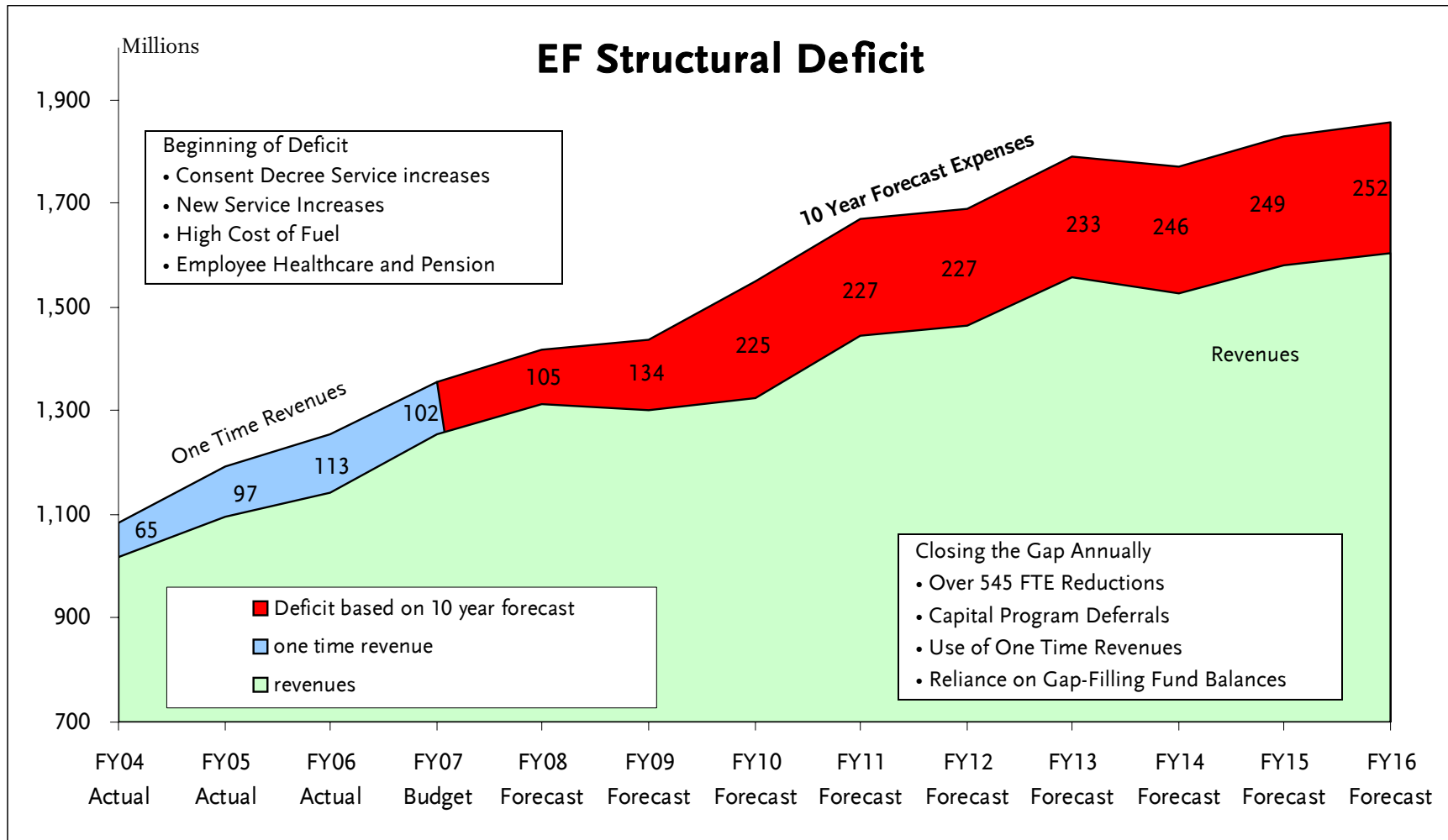
Structural Deficit

- **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

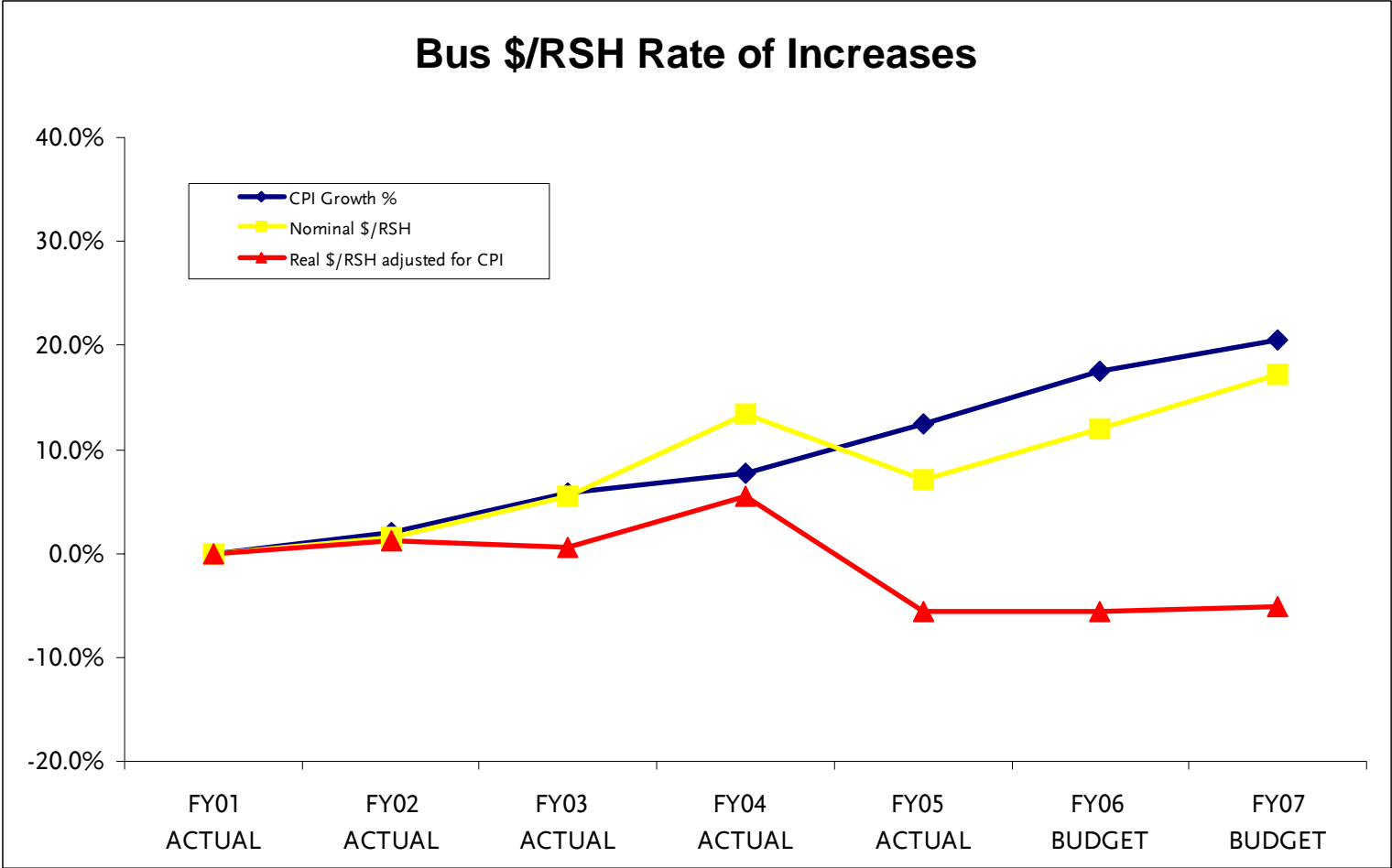
Structural Deficit Forecast



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