

**Board Report**

File #: 2016-0161, **File Type:** Informational Report**Agenda Number:** 33

**EXECUTIVE MANAGEMENT COMMITTEE
MARCH 17, 2016****SUBJECT: FISCAL YEAR 2017 (FY17) BUDGET STATUS UPDATE****ACTION: RECEIVE AND FILE****RECOMMENDATION**

RECEIVE AND FILE report on **Metro's FY17 Budget status update including service levels for Metro Bus and Rail and response to Board inquiries.**

ISSUE

This report includes service level assumptions for Bus and Rail in FY17. The service level assumption is one of the most critical cost drivers for the budget comprising of 25% of the total budget. During our budget update at the Executive Management Committee in February, the Board requested information on the capital improvements on the Blue Line as well as the public outreach activities surrounding the FY17 budget.

DISCUSSION**Bus and Rail Service Levels**

Overall, bus and rail services will increase by 0.9% from the FY16 Budget to FY17 (see Attachment A). A major driver of the increase is due to the full-year operation of Gold Line Foothill Phase 2A to Azusa and Expo II extension to Santa Monica which is expected to increase ridership and expand the rail system within the county in both directions east and west by 17.6 miles.

Bus Service

The FY17 Budget includes 30,000 revenue service hours for the operation of the new Line 501 (NoHo to Pasadena) which was a board approved new service in October 2015. These additional hours will be offset by RAM service optimization for the enforcement of the Load Factor standards adopted in the FY16 Transit Service Policy.

Also there are items pending service council review and/or public hearings which will contribute to a -76,495 decrease in revenue service hours comprised of line and segment cancellations and all door

boarding partially offset by reinvestment of cancelled lines. Overall, this will result in a -1.3% decrease in bus service hours from FY16.

Rail Service

The FY17 Budget anticipates a 14.6% increase in rail services resulting from a full year operation of the Gold Line Foothill Phase 2A to Azusa and Expo II extension to Santa Monica. RAM rail initiatives for consistent headway to enable system connectivity represents a reduction of -53,800 revenue vehicle service hours.

Blue Line Update

The February Executive Management Committee members requested additional FY17 budget details for the State of Good Repair allocation pertaining to the Blue Line. The Long Beach Blue Line is the oldest rail system in Metro's rail system at 26 years old. The Blue line budget allocation is determined based on the aging and utilization of the assets.

Staff continues to make the Blue Line state of good repair (SGR) efforts a top priority. The FY17 budget represents only a one-year cash flow of the total life of projects.

In total over \$1.1B is planned to be invested for Blue Line including projects that span multi rail lines as well as support and infrastructure such as technology, systems and customer support. Upon completion of these projects, a much improved customer experience is anticipated with enhanced safety improvements, refurbished stations, improved reliability and refinished artwork aesthetics for the benefit of our Blue Line patrons. Attachment B provides a listing of projects funded in FY17. (see Attachment B).

Public Outreach

A comprehensive public outreach program for the FY17 budget is in place to ensure the greatest level of engagement from the public and key stakeholders. Using public forums, communication tools and technology advances, we have numerous options and opportunities for informing and engaging the public.

Soliciting meaningful input from the public and stakeholders is important. To ensure greater participation, the times and locations of public forums are being advertised through multiple channels, including the Metro website, "Take Ones" on board vehicles, newspaper advertising, message on hold, and Metro Briefs.

Budget workshops are scheduled in March and May with various groups to engage and solicit input.

- **Metro Service Councils** -Five Service Councils are located throughout the County to give residents more opportunities for input on service issues in their community. This is an ideal forum for obtaining direct and immediate feedback from our transit riders.

- **Citizens Advisory Council (CAC)** - The CAC represents a broad spectrum of interests and all geographic areas of the County. This group consults, obtains and collects public input on matters and concerns of the communities. This is an ideal forum to solicit feedback from the communities on various transit issues.
- **Technical Advisory Committee (TAC)** - The TAC represents key stakeholders that provide technical assistance in reviewing and evaluating various transportation proposals and alternatives within Los Angeles County. This group provides feedback from the communities they represent and offer insight to transit issues throughout the county, including funding, streets, freeways, and transit air quality improvements.
- **Bus Operations Subcommittee (BOS)** - The BOS represents the transit operators in LA County and offer input on all bus operations, capital and legislative issues. This forum allows for the input of transit riders throughout the county.
- **Public Hearing** - A public hearing on the FY17 Budget is scheduled May 18, 2016 for the Board to receive public comments. The general public is encouraged to attend and provide their comments.

While public workshops and forums are good for people who can afford the time to participate, other media channels are being used to further ensure participation and provide multiple opportunities for the public to learn about the FY17 budget and process:

- **The Source/EI Pasajero/Facebook/Twitter** - Staff is using Metro's Social Media outlets to inform the public throughout the budget development process. Three stories have already been posted to the Social Media accounts (stories on budget basics, the capital program, and the operating budget), and additional stories will follow with each budget update to the Board.
- **Podcast** - Staff will be recording and posting a podcast in late March-early April 2016 on various budget themes and issues.
- **Interactive Budget Tool** --- This will be an interactive application to engage the public on the budgeting process and creating financial transparency. This new interactive tool is not only a survey but a way to allow the public to provide feedback on their individual transit priorities. This website will be available as a link from our Metro.net page
- **Budget Website** - A Budget Website that can be accessed through Metro.net will provide the budget the budget process, budget details as it becomes available each month, and provide an opportunity for the public to comments.
- **E-mail** - budgetcommentsmetro.net <<http://budgetcommentsmetro.net>> has been established to allow the public an opportunity to comment without having to attend a public forum.

The budget process is a dynamic process and this program aims to include participation throughout the process.

NEXT STEPS

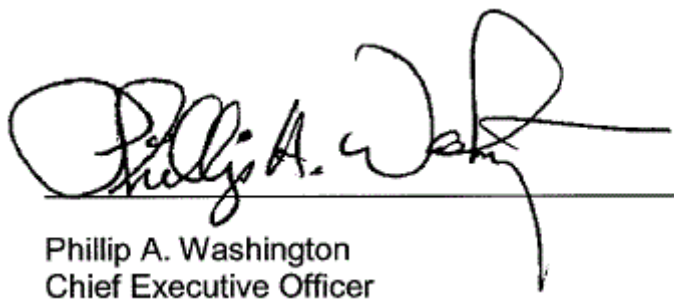
We will continue to update the Board, Board staff, and the general public via advisory committees in the coming weeks and report back to the Finance, Budget, and Audit Committee. (See Attachment C)

ATTACHMENTS

- A. Service Summary
- B. Blue Line Capital Project Summary
- C. Budget Update Schedule

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Phillip A. Washington
Chief Executive Officer

SERVICE SUMMARY

	Bus	Rail	Total
FY16 Budget	7,061,735	1,094,499	8,156,234
RAM System Optimization Initiatives - Load Factor Enforcement and Rail Headway Consistency	(44,278)	(125,656)	(169,934)
Rail Extensions		285,971	285,971
Board-Approved Action (Line 501)	30,000		30,000
FY17 Currently Confirmed Service Levels	7,047,457	1,254,814	8,302,271
Service Levels Pending Service Council Review/Public Hearing	(76,495)		(76,495)
FY17 Service Levels including Pending Items	6,970,962	1,254,814	8,225,776
Change From FY16 Budget	(90,773)	160,315	69,542
% Change	-1.3%	14.6%	0.9%

BLUE LINE CAPITAL SUMMARY

	Project Description	Estimated Expenditure thru FY16	FY17	Future Forecast	Life of Project
	Blue Line Rail Specific Projects				
1	Metro Blue Line Traction Power Sub-Stations Rehabilitation	72,009,640	-	10,190,360	82,200,000
2	Metro Blue Line Signal System Rehabilitation	\$ 10,879,964	\$ 8,477,420	\$ 44,642,616	\$ 64,000,000
3	Metro Blue Line Station Refurbishments	32,909,040	43,760	-	32,952,800
4	Metro Blue Line Pedestrian Safety Enhancement at Grade Crossings	14,096,383	10,863,960	5,214,657	30,175,000
5	Light Rail Vehicle (P865/P2020) Midlife Overhaul	19,821,862	3,104,800	7,073,338	30,000,000
6	Metro Blue Line Rail Replacement & Booting	2,720,491	4,120,801	6,158,708	13,000,000
7	Metro Blue Line Overhead Catenary System Rehabilitation	3,347,858	1,603,358	8,048,785	13,000,000
8	Metro Blue Line and Metro Green Line Transit Passenger Info System	5,711,131	399,312	3,719,270	9,829,713
9	Long Beach Duct Bank Upgrade Phase II	2,670,735	2,245,621	3,083,644	8,000,000
10	Metro Blue Line Yard Signal System Rehabilitation	1,510,310	2,273,933	815,757	4,600,000
11	Metro Blue Line Turnout Replacement	2,921,232	78,768	-	3,000,000
12	Metro Blue Line Wheel True Machine	670,000	1,322,556	207,444	2,200,000
13	Division 11 Body Shop Ventilation	1,189,817	49,714	960,470	2,200,000
14	Metro Blue Line Communication & Signal Building Rehabilitation	896,564	339,591	563,845	1,800,000
15	Metro Rail Blue Line High Density Storage Equipment	-	463,520	500,000	963,520
16	Blue Line Artwork Renovations and Replacement (5th St, 103rd St/Watts Towers, Grand)	-	286,418	190,782	477,200
17	Pre FY17 Completed / Closeout Blue Line Projects	33,893,574	-	1,252,846	42,279,000
18	Subtotal: Blue Line Rail Specific Projects	\$ 205,248,601	\$ 35,673,532	\$ 92,622,521	\$ 340,677,233
19	Shared Light Rail Vehicle, Control, Signal Systems (only Blue Line portion shown)				
20	Light Rail Vehicle Fleet Replacement	\$ 19,044,095	\$ 1,722,274	\$ 568,892,730	\$ 589,659,099
21	Light Rail Vehicle (P2000) Midlife Overhaul	1,450,580	14,874,300	49,075,120	65,400,000
22	Professional Services to Support P3010 LRV Procurement Project	7,608,664	5,199,960	17,191,376	30,000,000
23	P2000 Vehicle Component Replacement	7,490,342	2,270,465	3,419,243	13,180,050
24	Digital Rail Radio System	3,459,496	691,751	2,098,753	6,250,000
25	Systemwide Corrosion Protection System Replacement	2,096,707	892,657	1,300,635	4,290,000
26	Metro Security Kiosks at Rail Stations	774,779	12,214	500,507	1,287,500
27	Rail Facilities Lighting Retrofit	266,723	654,483	130,069	1,051,275
28	Fire Control Panel Upgrade	259,186	276,929	363,885	900,000
29	Rail SCADA System Replacement	314,199	192,227	287,699	794,125
30	Platform Track Intrusion Detection System	146,487	378,838	266,675	792,000
31	Regional Rail Signage System Improvements	548,798	112,071	75,362	736,230
32	MOW Tools & Equipment Procurement thru FY16	94,803	405,197	-	500,000
33	Fiber Optic Main Loop Upgrade	29,999	50,935	131,566	212,500
34	Public Plug-In Charge Station	115,940	6,599	72,061	194,600
35	FY16- FY17 Rail Non-Revenue Vehicle and Equipment Replacement	38,945	69,778	46,282	155,004
36	FY14-FY15 Rail Facility Sub-Metering Project - Div 11, 22, and 60	72,287	6,946	(0)	79,233
37	Warehouse Pallet Racking for Rail	39,870	20,130	-	60,000
38	EV Charging Stations at Metro Rail Maintenance Facilities	18,350	23,740	1,736	43,826
39	Completed / Closeout Multi Rail Projects: Blue	4,306,183	-	1,533,388	9,275,472
40	Non-Revenue Vehicle for Rail	1,391,966	934,760	1,273,022	3,603,790
41	Subtotal: Shared Light Rail Vehicle, Control, Signal Systems	\$ 49,568,400	\$ 28,796,252	\$ 646,660,109	\$ 728,464,704
42	Support and Infrastructure Supporting Light Rail Systems (only Blue Line portion shown)				
43	Fare Gate Project	\$ 872,147	\$ 414,242	\$ 586,961	\$ 1,873,350
44	Metro Emergency Operations Center	954,432	378,024	277,848	1,610,304
45	UFS FARE BOX UPGRADE	-	187,503	347,368	534,870
46	GIRO HASTUS Upgrade & Enhancement	245,628	145,656	9,756	401,040
47	High Density Storage Equipment for Bus & Rail	246,655	39,345	-	286,000
48	Fire Alarm Panel Replacement Program	-	11,108	191,931	203,039
49	HASTUS Infrastructure Upgrade	15,633	39,410	113,657	168,700
50	Metro Tunnel & Bridge Security	150,828	-	83	150,911
51	Call Center Telephone Replacement	105,194	40,146	4,660	150,000
52	Internet-based Customer Help Desk	74,870	67,880	-	142,750
53	Installation of Signage & Posters	84,866	27,260	-	112,125
54	Customer Center Relocation Improvements	16,647	40,985	37,493	95,125
55	Cash Room Equipment Request	-	34,096	15,000	49,096
56	Pre FY17 Completed / Closeout Systemwide Projects: Blue	54,618,156	1,381,853	3,922,657	60,074,175
57	Non-Revenue Vehicle Procurement	1,112,105	824,549	946,931	2,883,585
58	Subtotal: Support and Infrastructure Supporting Light Rail Systems	\$ 58,497,161	\$ 3,632,054	\$ 6,454,346	\$ 68,735,070
59	Grand Total	\$ 313,314,162	\$ 68,101,838	\$ 745,736,976	\$ 1,137,877,007

BUDGET UPDATE SCHEDULE

Board Status Updates	
Jan-16	RAM initiatives adopted for FY17 implementation
Feb-16	(1)Budget Planning Parameters for Assumptions and Service Levels (2)FY17 Preliminary Capital Program
Mar-16	Agencywide Bus and Rail Service Levels
Apr-16	Proposed Budget Book
May-16	Final Board Adoption – May 26

FY17 Budget Status Update

Executive Management Committee

March 17, 2016

Budget Schedule

Board Schedule	
Jan-16	RAM initiatives for FY17
Feb-16	(1) Budget Planning Parameters for Assumptions and Service Levels
	(2) FY17 Preliminary Capital Program
Mar-16	Agencywide Bus and Rail Service Levels
Apr-16	Consolidated View of Draft Budget
May-16	Final Board Adoption – May 26

Outreach with key stakeholders:

- Board of Directors
- Senior Leadership Team and Executive Staff
- Regional Service Councils, Citizen Advisory Council (CAC), Technical Advisory Committee (TAC), and Bus Operations Subcommittee (BOS)
- Electronic media (e.g. social media, the Source, webinar, web page, etc.)

Public Outreach

- Outreach will be conducted throughout the budget process until budget adoption
- Anticipate over 50 briefings to be conducted with our Board, stakeholders and the public

Type	Description	Dates
Board Updates	Monthly Board Reports will provide status of budget process	Finance & Budget Committees (Feb/Mar/Apr/May)
Board Staff Briefings	Weekly meetings will be held on specific budget topics	Focused briefings (Mar 8 – May 6)
Stakeholder meetings	BOS and TAC meetings	Mar 15, May 17 Mar 2, May 4
Public	Service Council meetings On-Line Budgeting tool Monthly Podcasts on budget topics as provided to the Board Blog posts on theSource Website to provide latest budget information Metro Briefs Email for public to provide comments Public Hearing held in May to receive public comments	Mar 2-11, May 4-13 March - May Feb/Mar/Apr/May Feb/Mar/Apr/May On-going On-going On-going May 18
Board and Deputy briefings	Will be scheduled as requested by each of the Board offices	May 2 – May 25 (as requested)

Blue Line Project Summary

	Estimated		Future	
Blue Line (in Millions)	Expenditure thru FY16	FY17	Forecast	Life of Project
1 Rail Vehicle Acquisition	26.7	6.9	586.1	619.7
2 Rail Vehicle Maintenance	30.2	19.7	58.8	107.1
3 Wayside Systems	132.4	32.6	84.3	260.1
4 Facilities	60.9	2.1	2.8	66.8
5 Security	10.5	1.0	4.5	16.0
6 Non-Revenue Vehicles	3.4	1.8	2.6	8.0
7 IT/Communications	1.5	1.3	2.8	5.8
8 Other Capital Projects	47.7	2.6	3.8	54.4
Grand Total	\$ 313.3	\$ 68.1	\$ 745.7	\$ 1,137.9

- Over \$1.1B capital is planned to be invested in the Blue Line State of Good Repair effort since FY10 and in the future
- Future forecast extends to FY2020-21 and are not fully funded
- Existing forecast is based on age of assets; condition of assets to be incorporated as an additional factor for future forecasting

Revenue Service Hours

	BUS		RAIL		TOTAL	
	Hours	Var %	Hours	Var %	Hours	Var %
1 FY16 Budget	7,061,735		1,094,499		8,156,234	
2 RAM System Optimization Initiatives - Load Factor Enforcement and Rail Headway Consistency	(44,278)	-0.6%	(125,656)	-11.5%	(169,934)	-2.1%
3 Rail Extensions			285,971	26.1%	285,971	3.5%
4 Board-Approved Action (Line 501)	30,000	0.4%			30,000	0.4%
5 FY17 Currently Confirmed Service Levels	7,047,457		1,254,814		8,302,271	
6 Service Levels Pending Service Council Review/Public Hearing	(76,495)	-1.1%			(76,495)	-0.9%
7 FY17 Service Levels including Pending Items	6,970,962		1,254,814		8,225,776	
8 Change From FY16 Budget	(90,773)	-1.3%	160,315	14.6%	69,542	0.9%

BUS Changes

- Confirmed Changes
 - Implement Line 501 for full year
 - Implement Board adopted Load Standard
 - Bus Stop Consolidation
 - Expo II Bus/Rail Interface (Truncate Line 534 at Santa Monica from Culver City)
 - Line Management on Line 720 and Silver Line
- Items Pending Service Council Review/Public Hearing
 - Line Cancellation (Lines 190/194, 270)
 - Reinvest Some Line Cancellation (TBD)
 - Segment Cancellation (Line 460)
 - All Door Boarding on Silver Line

RAIL Changes

- Rail Extensions Impact
 - Implement Gold Line Foothill Extension 2A for full year
 - Implement Expo II to Santa Monica for full year

	Stations	Miles
Prior to Extensions	80	87
Foothill Extension to Azusa	6	12
Expo Extension to Santa Monica	7	7
FY17 with full year of extensions	93	106

- Reduce night headways on Blue, Expo, and Gold from 10 min to 20 min due to track maintenance constraints
- Reduce weekend Mid-Day/PM headways on Gold from 7.5 min to 12 min to match other rail lines
- Reduce span of service on all rail lines to 4:00am-1:00am on weekdays to provide more time for facility maintenance

Next Steps

- April committee meeting to review a consolidated view of draft budget
- Prepare a list of risks to the proposed budget
- Continue public outreach and schedule the public hearing for May
- Proposed budget book production
- May 26, 2016 – Adoption FY17 budget; projected to be a balanced budget