



Board Report

File #: 2016-0372, **File Type:** Public Hearing

Agenda Number: 38

**FINANCE, BUDGET & AUDIT COMMITTEE
PUBLIC HEARING - PROPOSED FY17 BUDGET
MAY 18, 2016**

SUBJECT: FISCAL YEAR 2017 (FY17) BUDGET

ACTION: ADOPT THE FY17 BUDGET

RECOMMENDATION

APPROVE:

- A. adopting the **FY17 Budget** as presented in the budget document (provided in a separate transmittal and posted on Metro.net) with the amendment of an additional -\$5.3 million reduction as a reconciliation item to the proposed budget as shown on Attachment A;
- B. the **Reimbursement Resolution declaring Metro's intention to issue debt in FY17 for capital projects** (provided in Attachment B). Actual debt issuance will require separate Board approval;
- C. an average 3% merit increase for non-represented employees which will be performance based; and
- D. an adjustment to management pay grades and salary bands for the top seven levels H1S through HFF to reflect typical market practice. There is no impact to the budget or to current employees' salaries (see Attachment C).

ISSUE

State Law (Public Utilities Code Section 130105) requires Metro to adopt an annual budget to manage the revenues and expenses of the agency's projects and programs. The budget is the legal authorization to obligate and spend funds and to implement Board policy. It includes all operating, capital, planning and programming, subsidy funds, debt service requirements, and general fund activities for the fiscal year. Budget detail is a management plan for financial activity and is prepared at the fund, project, department and expenditure level. The legal level of control is at the fund level. Total annual expenditures cannot exceed the final appropriation by the Board except for capital expenditures, which is authorized on a life-of-project basis.

Copies of the proposed budget document were made available to the public on May 3, 2016, both electronically at www.metro.net and through the Records Management Center (RMC) at RMC@metro.net. Printed copies of the budget document were made available at the RMC on the Plaza level of the Gateway Building on the same day. The public hearing is scheduled for May 18, 2016. Advance public notification of this hearing was issued through advertisements posted in over two dozen news publications.

The FY17 Budget development process started in January 2016 with monthly updates to the Finance, Budget, & Audit Committee. Additionally, in that time, Metro staff has provided multiple budget briefings to Board staff and has followed up on questions received from Board staff. There has also been 19 meetings held to stakeholders including Service Councils, Citizens Advisory Council, Technical Advisory Committee, Bus Operations Subcommittee and the public both in person and via electronic media outlets such as podcasts, website and social media.

DISCUSSION

The proposed FY17 Budget is balanced at \$5.7 billion in total agency expenditures which is a decrease of -\$137 million, or -2.4%, from \$5.8 billion in FY16. This is a result of efforts to tighten cost controls, increase fiscal discipline and accountability throughout the agency while continuing to deliver on the following agency goals:

1. Advance safety and security for our customers, the public, and Metro employees
2. Exercise fiscal discipline to ensure financial stability
3. Plan and deliver capital projects on time and on budget while increasing opportunities for small business development and innovation
4. Improve the customer experience and expand access to transportation options
5. Increase transit use and ridership
6. Implement an industry-leading state of good repair program
7. Invest in workforce development
8. Promote extraordinary innovation

Assumptions Summary

The FY17 budget is built based on the following assumptions:

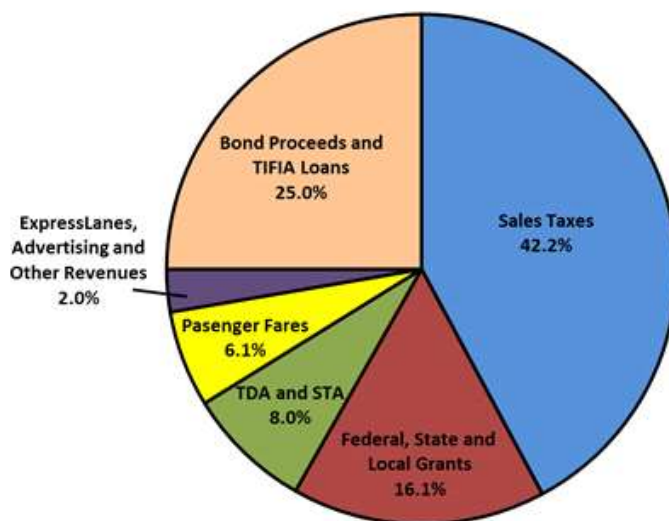
- FY 17 sales tax growth of 3.3% over FY16 Budget based on forecasting sources as well as actual receipts for FY16 YTD through Q2
- CPI of +1.85% based on Beacon Economics forecast
- Bus Revenue Service Hours decrease by 41,828 hours or -0.6% primarily due to increase speed and optimizing service levels

- Rail Revenue Service Hours increase by 168,584 hours or 15.4% from a full year operations of the rail extensions
- The budget reflects negotiated wage and salary provisions for represented employees (SMART, ATU, AFSCME, TCU and Teamsters). The wage increase by these provisions is at least 3.0% for annual wage increase and an additional amount for step increase to reach the maximum pay rate for an annual increase ranging from 3% to 5%.
- No new non represented FTEs requested
- Represented FTEs increase in Transit security department is conditioned upon savings from the new law enforcement contract; any reduction in represented FTE's will be through attrition.

Resources Summary

The table below summarizes the budgeted types of resources available for FY17.

		FY17	
Resources (\$s in millions)		Proposed	% of Total
1	Sales Taxes (Prop A, C and Measure R)	\$ 2,387.1	42.2%
2	Federal, State and Local Grants	910.7	16.1%
3	TDA and STA	450.8	8.0%
4	Passenger Fares	346.2	6.1%
5	ExpressLane, Advertising and Other Revenues	152.6	2.7%
6	Bond Proceeds and TIFIA Loans	1,415.8	25.0%
7	Grand Total	5,663.2	100.0%



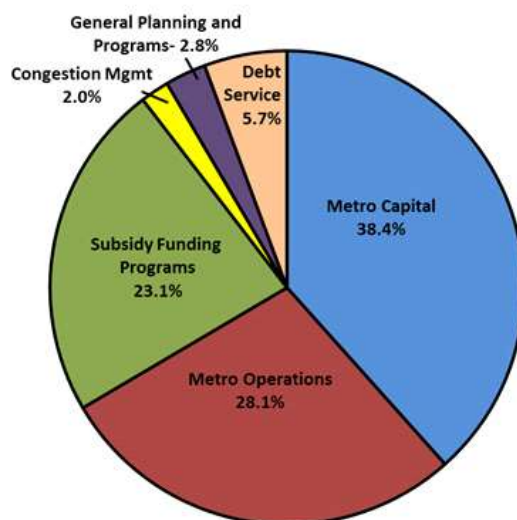
FY17 vs FY16 Expense Summary

The agency implemented a zero-based budget process for FY17 which is a deliverable based

approach in building the budget. Through this process, we were able to prioritize projects and redeploy expenditures and resources to the core needs for the upcoming fiscal year. This reinforces the agency's commitment to tighten budget controls and exercise fiscal discipline in the allocation of limited resources and further drive accountability.

As a result, the FY17 Budget nets to a decrease in total agency expenditures of -\$137 million, which is a -2.4% decrease, from \$5.8 billion in FY16 to \$5.7 billion in FY17. This budget decrease is the net result after absorbing \$130 million or 2.2% of cost increases for non-discretionary items and new programs. However cost control and accountability efforts contribute to a decrease from FY16 to FY17 of -\$267 million or -4.6%. This further demonstrates the agency's core goal of exercising fiscal discipline to ensure financial stability. The chart below shows the summary of expenditures for FY16 vs FY17.

Program Type (\$ in millions)	FY16	FY17 Proposed	Variance \$'s	Variance %	% of Total FY17 Budget
1 Metro Capital	\$ 2,521.4	\$ 2,173.8	\$ (347.6)	-13.8%	38.4%
2 Metro Operations	1,515.2	1,593.5	78.3	5.2%	28.1%
3 Subsidy Funding Programs	1,159.7	1,306.2	146.5	12.6%	23.1%
4 Congestion Management	99.4	111.0	11.6	11.7%	2.0%
5 General Planning & Programs	175.8	158.5	(17.3)	-9.8%	2.8%
6 Debt Service	328.7	320.1	(8.6)	-2.6%	5.7%
7 Grand Total	\$ 5,800.2	\$ 5,663.1	\$ (137.1)	-2.4%	100.0%



The major reasons for the \$130 million or 2.2% increase is due to increases in labor, insurance and utilities rate inflation, contractual obligations, costs for investing in new programs such as Bike and Active Transportation Programs, studies and projects, and ongoing construction projects such as the Westside Purple Line Extension, Regional Connector and Crenshaw/LAX based on the project LOP and a full year operation of the Gold Line Foothill Phase 2A and Expo Line extensions.

Risk Allocation Matrix (RAM) in FY17 Budget

In January 2016, the RAM was approved by an action of the Metro Board of Directors. RAM is an

ongoing agencywide process to identify a strategic mix of cost saving and revenue generating new initiatives to implement in order to secure Metro's long term financial stability. To monitor the savings and revenues achieved through the RAM new initiatives, the estimated financial impacts of those that will be implemented in FY17 have been included in the proposed budget. Based on current projections, the total savings and revenues to be realized in FY17 are estimated at \$128M.

	FY17 Current Budget Amount
1 New Revenues	\$436,200
2 Includes new advertising and film revenue-generation opportunities	
3 Ongoing Cost Savings	\$27,697,666
4 Includes minor adjustments in bus and rail service, and reallocation of cap and trade funds	
5 One-time Cost Savings	\$100,000,000
6 One-time reduction in fund balance reserves	
7 Total	\$128,133,866

FTE Summary

FY17 Budget will have no non-contract FTE additions. Continuing the effort to strengthen fiscal discipline, the agency will redeploy existing vacancies to the priorities for the upcoming year as opposed to requesting new FTEs. In the past couple of years the agency has added positions faster than it can fill them which has led to a growing number of vacant positions to date. Along with the vacancies is the zero-based budget development approach which has allowed the agency to identify and reprioritize the near-time needs accordingly and thereby no new non contract FTE's are requested.

A net 30 new represented FTEs requested for FY17 comprised of the following:

- 1) 77 additions for the Transit security department (conditioned upon the new law enforcement contract); the 77 addition in security is to increase the control of security deployment and improve results and again will only be filled if there is an offset in savings in the new law enforcement contract
- 2) 1 addition for communications in managing the bike locker program
- 3) 48 positions in operations will be reduced through attrition based on Board approved service levels planned for FY17

	Department	FY17	FY16	FY17 Change	FY17	FY 17
			Represented		Total	Total
1		Non Represented				
2	Board of Directors	38	0		0	38
3	Chief Executive Office	236	219	77	296	532
4	Communications	101	183	1	184	285
5	Congestion Reduction	20	0		0	20
6	Finance & Budget	166	68		68	234
7	Information Technology	92	51		51	143
8	Operations	275	7,580	-48	7,532	7807
9	Planning & Development	163	0		0	163
10	Program Management	234	0		0	234
11	Vendor/Contract Mgmt	158	162		162	320
12	Total	1,483	8,263	30	8,293	9,776

Non Represented FTE's Merit Increase

In line with negotiated wage rates for represented FTEs, an average 3.0% merit increase is requested for non-represented employees which will be distributed based on a merit based performance system.

Classification and Compensation Pay Grade and Salary Band Adjustment

In order to reflect market practice, HR will be consolidating and adjusting the current pay grade level bands to reflect consistent progression and spreads which will align customary compensation packages. There will be no impact to budget or current employees' salary. Please refer to Attachment C for more details.

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 workshops, communication tools and technology advances, numerous options and opportunities for informing and engaging the public are available.

In addition, an online tool will be available to engage the public and continually gather input to help guide the mid-year budget and future budgets.

Soliciting meaningful input from the public and stakeholders is important. To ensure greater participation, the times and locations of public workshops were advertised through multiple channels, including the Metro website, "Take Ones" on board bus/rail vehicles and at customer centers, newspaper advertising, messages on hold, and Metro Briefs. A summary of public outreach efforts and comments received is in Attachment D.

Reimbursement Resolution

Federal tax law requires that bond proceeds can only be used for expenses incurred after the issuance of bonds. In order to be reimbursed for expenses incurred before the bond issue, Metro must pass a resolution indicating the intent to issue bonds at a later date for the expenditures

described in the reimbursement resolution. The attached resolution (Attachment B) is included in the budget board report as a matter of course, to tie expenditures anticipated in the budget to proceeds from future bond issuance, and it must be approved as an item separate from the budget document.

DETERMINATION OF SAFETY IMPACT

The proposed budget continues to make safety a primary goal and provides funding for new and ongoing safety programs throughout Metro.

FINANCIAL IMPACT

The proposed FY17 Budget (provided in a separate transmittal) is \$5.7 billion which is a -2.4% decrease from FY16. The budget includes expenditures and appropriates the resources necessary to fund them. The proposed budget demonstrates Metro's ongoing commitment to meeting its capital and operating obligations, which is a requirement necessary in order to continue to receive subsidies from the state and federal governments and to administer regional transportation funding to local cities and Municipal Operators.

NEXT STEPS

Monitoring the FY17 budget performance will be an ongoing effort year around. Staff will be conducting quarterly variance analysis and tracking performance metrics to reinforce accountability and budgetary control. There will be a mid-year budget assessment to evaluate the budget's alignment to agency priorities. In addition, continuous improvements will be implemented to the process and regular updates will be reported to the Board.

ATTACHMENTS

Attachment A - Amendment Items to FY17 Proposed Budget

Attachment B - Reimbursement Resolution of Metro for Fiscal Year 2017

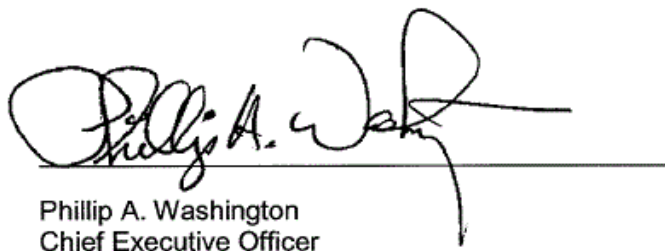
Attachment C - Classification and Compensation Adjustment

Attachment D - Public Outreach and Comments on Fiscal Year 2017 Budget

Prepared by: Irene Fine, Deputy Executive Officer, Finance, Ext. 24420

Melissa Wang, Executive Officer, Finance, Ext. 26024

Reviewed by: Nalini Ahuja, Executive Director, Finance and Budget, Ext. 23088



Phillip A. Washington
Chief Executive Officer

**REIMBURSEMENT RESOLUTION
OF THE
LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY
FOR FISCAL YEAR 2017**

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the "Metro") desires and intends to finance certain costs relating to (i) the design, engineering, construction, equipage and acquisition of light rail lines including the Exposition Line Phase II Project, Crenshaw/LAX, Regional Connector, and the Purple Line Subway Extension, Phases 1, 2 and 3 (ii) the design, engineering, construction, equipage and acquisitions for the Southwestern Rail Maintenance Yard, (iii) the design, engineering, construction, equipage and acquisitions for the Rail Deferred Maintenance Project, (iv) the design, engineering and other related close out costs of the I-405 Car Pool Lanes project, (v) the engineering, construction, renovation, maintenance, and/or acquisition of various capital facilities and equipment, including buses and rail cars, related to service operation, (x) design, engineering, construction, equipage and acquisition of various highway projects including soundwalls and carpool lanes, and (xi) to other transit related projects (each a "Project" and collectively, the "Projects");

WHEREAS, to the extent that federal and/or state grant funding budgeted to be received during FY17 is delayed or reduced, the Los Angeles County Metropolitan Transportation Authority desires and intends to finance certain costs relating to the Projects.

WHEREAS, Metro expects to issue debt through the issuance of tax-exempt bond issues to pay for these expenditures, which bond issues will have three separate security sources, Proposition A, Proposition C and Measure R sales tax revenues, respectively, or grant revenues to finance the costs of the Project on a permanent basis (the "Debt");

WHEREAS, Metro expects to expend moneys of the Enterprise Fund (other than moneys derived from the issuance of bonds) on expenditures relating to the costs of the Projects prior to the issuance of the Debt, which expenditures will be properly chargeable to a capital account under general federal income tax principles;

WHEREAS, Metro reasonably expects to reimburse certain of such capital expenditures with the proceeds of the Debt;

WHEREAS, Metro expects that the amount of Debt that will be issued to pay for the costs of the Projects will not exceed \$275 million for Proposition A, \$350 million for Proposition C and \$660 million for Measure R;

WHEREAS, at the time of each reimbursement, Metro will evidence the reimbursement in writing, which identifies the allocation of the proceeds of the Debt to Metro, for the purpose of reimbursing Metro for the capital expenditures made prior to the issuance of the Debt;

WHEREAS, Metro expects to make reimbursement allocations no later than eighteen (18) months after the later of (i) the date on which the earliest original expenditure for the Project is paid or (ii) the date on which the Project is placed in service (or abandoned),

but in no event later than three (3) years after the date on which the earliest original expenditure for the Project is paid;

WHEREAS, Metro will not, within one (1) year of the reimbursement allocation, use the proceeds of the Debt received by way of a reimbursement allocation in a manner that will result in the creation of replacement proceeds of the Debt or another issue (e.g., Metro will not pledge or use the proceeds received as reimbursement for the payment of debt service on the Debt or another issue, except that the proceeds of the Debt can be deposited in a bona fide debt service fund); and

WHEREAS, this Resolution is intended to be a " declaration of official intent" in accordance with Section 1.150-2 of the Treasury Regulations.

NOW THEREFORE, BE IT RESOLVED, that (i) all of the foregoing recitals are true and correct and (ii) in accordance with Section 1.150-2 of the Treasury Regulations, Metro declares its intention to issue Debt in an amount not to exceed \$275 million for Proposition A, \$350 million for Proposition C and \$660 million for Measure R; the proceeds of which will be used to pay for the costs of the Projects, including the reimbursement to Metro for certain capital expenditures relating to the Projects made prior to the issuance of the Debt.

ATTACHMENT A

Amendment Items to FY17 Proposed		\$s in millions
1	FY17 Proposed	5,663.1
2	Amendment Items	
3	Cancellation of Line 270 S per April Board Action	(1.4)
4	Raymer Bernsen project	(3.9)
5	FY17 Proposed with Amendment Items	5,657.8
6	FY17 Proposed with Amendment Items vs FY16	-2.5%

ATTACHMENT C

Classification and Compensation Adjustment

A Classification & Compensation Study on the Non Represented Job classifications and pay structure was conducted by The Unisource Group and Mercer and a job titling restructure has been recommended for the top 7 pay grade levels (H1S through HFF) which will have zero impact to the budget and no impact to current employees' salaries. The recommendation is to adjust top management grades (DEO and above) to reflect typical market practice by taking the following actions:

- 1) Remove one pay grade
- 2) Adjust midpoint progressions to scale up normally and establish consistent pay grade spread
- 3) Re-slot roles in current grades H1S through HFF to maintain internal equity

Below is the proposed pay grade change (note that there is no change to pay grade H1A through H1Q):

Current Structure

Pay Grade	Minimum (\$000s)	Midpoint (\$000s)	Maximum (\$000s)	Spread	Progression
HFF	\$337	\$411	\$485	44%	21%
HDD	\$278	\$340	\$401	44%	24%
HCC	\$222	\$274	\$325	46%	32%
HBB	\$166	\$208	\$250	50%	6%
HAA	\$157	\$196	\$235	50%	6%
H1T	\$147	\$184	\$221	50%	4%
H1S	\$142	\$177	\$213	50%	15%
H1Q	\$123	\$154	\$184	50%	11%
H1P	\$111	\$138	\$166	50%	11%
H1O	\$100	\$125	\$150	50%	10%
H1N	\$91	\$114	\$136	50%	10%
H1M	\$83	\$103	\$124	50%	9%
H1L	\$76	\$95	\$114	50%	9%
H1K	\$70	\$87	\$105	50%	8%
H1J	\$65	\$81	\$97	50%	8%
H1I	\$60	\$75	\$90	50%	7%
H1H	\$56	\$70	\$84	50%	10%
H1G	\$51	\$63	\$76	50%	10%
H1F	\$46	\$58	\$69	50%	10%
H1E	\$42	\$53	\$63	50%	9%
H1D	\$39	\$48	\$58	50%	8%
H1C	\$36	\$45	\$53	50%	8%
H1B	\$33	\$41	\$49	50%	7%
H1A	\$31	\$38	\$46	50%	--

Proposed Structure

Pay Grade	Minimum (\$000s)	Midpoint (\$000s)	Maximum (\$000s)	Spread	Progression
HFF	\$335	\$419	\$503	50%	25%
HEE	\$268	\$335	\$402	50%	25%
HDD	\$214	\$268	\$322	50%	22%
HCC	\$176	\$220	\$264	50%	15%
HBB	\$153	\$191	\$229	50%	12%
HAA	\$136	\$171	\$205	50%	11%
H1Q	\$123	\$154	\$184	50%	11%
H1P	\$111	\$138	\$166	50%	11%
H1O	\$100	\$125	\$150	50%	10%
H1N	\$91	\$114	\$136	50%	10%
H1M	\$83	\$103	\$124	50%	9%
H1L	\$76	\$95	\$114	50%	9%
H1K	\$70	\$87	\$105	50%	8%
H1J	\$65	\$81	\$97	50%	8%
H1I	\$60	\$75	\$90	50%	7%
H1H	\$56	\$70	\$84	50%	10%
H1G	\$51	\$63	\$76	50%	10%
H1F	\$46	\$58	\$69	50%	10%
H1E	\$42	\$53	\$63	50%	9%
H1D	\$39	\$48	\$58	50%	8%
H1C	\$36	\$45	\$53	50%	8%
H1B	\$33	\$41	\$49	50%	7%
H1A	\$31	\$38	\$46	50%	-

Current	Proposed	Change in Midpoint
HFF	HFF	2%
HDD	HEE	-1%
HCC	HDD	-2%
HBB	HCC	6%
HAA	HBB	-3%
H1T	HAA	-7%
H1S		-4%

ATTACHMENT D

FY17 PROPOSED BUDGET Summary of Public Outreach Efforts and Comments Received

Public Outreach Efforts

Strategy	Outreach	Summary/Recap	
Stakeholder Meetings		<u>Workshops</u>	<u>Comments</u>
	Service Councils (SC)	10	31
	Citizens Advisory Council (CAC)	2	9
	Streets and Freeways Subcommittee (SFS)	1	
	Bus Operations Committee (BOS)	2	5
	Technical Advisory Committee (TAC)	2	1
	General Managers Meeting (GM)	2	2
Website	Public Access to budget details On-line survey	Email Comments: 8 Mail: 2	
Social Media	Podcasts Blog posts Facebook Twitter		
E-Blast	>24,000 emails	April/May	
Messages on-hold	On-hold message		
Publications (multi-languages)	Notification of public hearing >60 publications		
Take-ones (English/Spanish)	Distribution of >78,000 throughout system, customer centers and at stakeholder events	Phone calls:	

Comments Received

Comments received from the public during Metro's FY17 budget outreach process are summarized below. This summary includes comments received through May 11th. Most comments have been addressed at the workshops, while other comments will be provided to departments for response and follow-up. All other comments will be considered during the mid-year budget assessment. Feedback was received from the following sources and groups:

- Service Council Meetings
- Citizens Advisory Council
- Streets and Freeways Subcommittee
- Bus Operations Committee
- Technical Advisory Committee
- Written Comments received via mail and email
- Social Media Outreach, including podcasts and blog posts

Key Topics	Synopsis of Comments
Transit Service	<ul style="list-style-type: none"> • What ridership is expected for Expo to Santa Monica and Gold Line to Azusa? • What is the reason for the ridership decline? • What is the difference in Revenue Service Hours from FY15 to FY16? • Are we buying more articulated buses? • Will the new articulated buses have more seats? • What is included in the Revenue Service Hour change? • What is the new load standard? • Does the ridership chart assume 0% change as a baseline then + rail ridership from the extensions? • Don't cut 770, 190 or 270. • Declining farebox recovery is a concern, would rather pay higher fares for higher quality service • Stop rail projects and finish I-5 • Please keep funding for 150,183,240,234,734,744 • Need bus service to UCLA from the Valley • Build more rail as quickly as possible • Reduce spending on rail capital expansion and shift money to bus operations and bus service improvements • Line 90 and 91 should travel more often and later in the evenings • Line 166 should go east to Foothill Boulevard • Routes on the "15 minute map" should never have headways less than 30 minutes through 10pm. • Never run headways longer than 15 minutes on rail service. • Coordinate with Foothill Transit to provide better service on the Metro Silver Line and Foothill Silver Streak. • How are we going to keep schedules correct if a bus breaks down or other interruptions of transit service occur? • Rightsizing of the system resulted in a reduction in bus RSH. How will the ridership and schedule patterns be analyzed and how quickly will corrections be made and implemented?
Alternative Revenues	<ul style="list-style-type: none"> • Please explain the RAM. • Why is the FY18 RAM savings less than the FY17 amount? • How do we save costs from All Door Boarding? • How do RAM ideas get implemented into the budget? • Do the RAM ideas include transfer of bus lines to municipal operators? • Will CMAQ funds be used to pay for Orange Line service?
Technology	<ul style="list-style-type: none"> • Please describe the online budget tool and provide a demo of the tool before it launches. • Describe how the trade-offs will be shown on the online budget tool when adding or deleting programs and services. • What technology is used to collect ridership data?
Safety and Security	<ul style="list-style-type: none"> • What are we doing about fare evasion? • Will the new Expo II and Gold Line Foothill extension stations have gates? • What safety/security improvements are being funded? • What is the change in safety/security funding from FY16 to FY17? • Explain the large drop in security cost per RSH. Has security been reduced? • What is the fare evasion rate, and what are we doing to stop fare evasion?

Budget	<ul style="list-style-type: none"> • How does the public provide input into the budget process? • What percent of the budget is zero based? • When is the deficit now? • Will the amount of debt service stay the same over the next 5 years? • Make sure deferred maintenance is being funded, such as the Green Line station rehabilitation. • What are the reserves used for? • How is the budget being marketed to the public? The CAC wants to see the fully integrated marketing plan.
Customer Service	<ul style="list-style-type: none"> • When will TVMs be at Harbor-Gateway Station? • Suggest broad outreach on TVM and Mobile Validator limitations with respect to the Harbor-Gateway TVM installation and All Door Boarding on the Silver Line. • Increase available parking at North Hollywood station. • Improve customer and rider communication by updating and republishing the "15 minute map."
Potential Ballot Measure	<ul style="list-style-type: none"> • Is the 2.4% sales tax growth rate consistent with the potential ballot measure assumptions? • How do we understand what goes into the PBM? Can we have a presentation on the expenditure plan when it is made public? • We would like to have a workshop in the new few months to talk about how to allocate the non-capital program of the PBM. • Please come back with the dollar amounts for the sales tax projections. • Why assume sales tax growth rate is flat for FY17 when the current trend is declining? • Why is the sales tax assumed to grow by 2.4%? • How are we letting the public know that the FY17 budget does not include the potential ballot measure? • The budget does not include additional funding from the ballot measure. How fast would this funding be added to the budget? • How is the potential ballot measure being marketed to the public? The CAC wants to see the fully integrated marketing plan.
Fares	<ul style="list-style-type: none"> • Why is the fare for the Orange Line cheaper than for the Silver Line? • Does the institutional pass RAM idea mean a fare increase is being contemplated? • Proceed with Phase 2 of the 2014 fare restructuring effort. • Expand the EZ Pass to passes with shorter durations than the 30-day pass, such as a 7-day or 1-day pass. • Proceed with Phase 2 and Phase 3 of the 2014 fare restructuring effort.

FY17 Proposed Budget

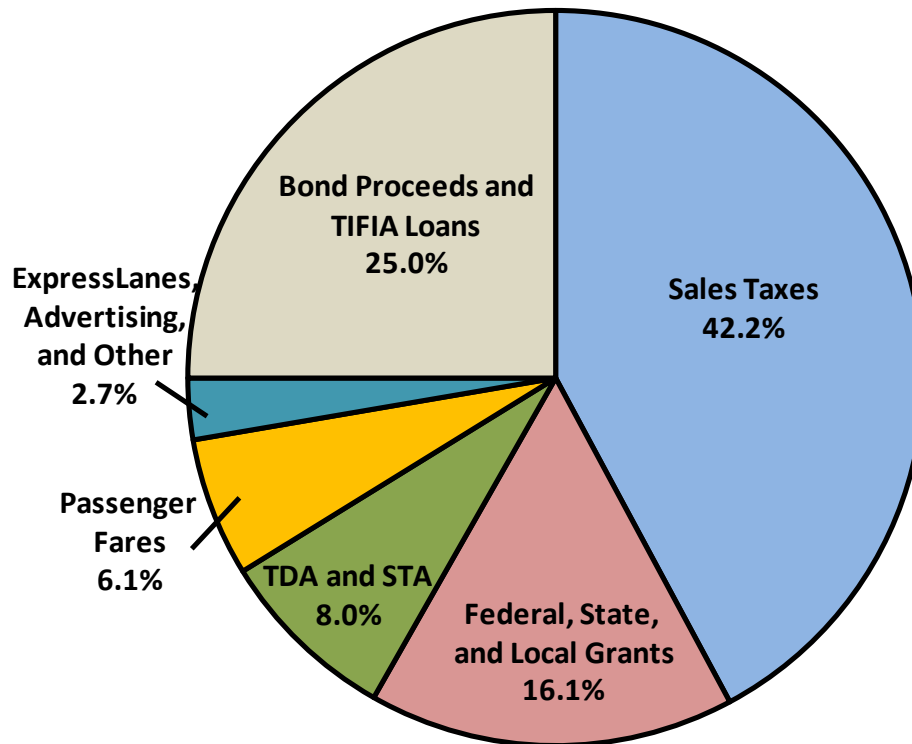
FY17 Budget Public Hearing
Finance, Budget and Audit Committee

May 18, 2016

Summary of Agency Resources

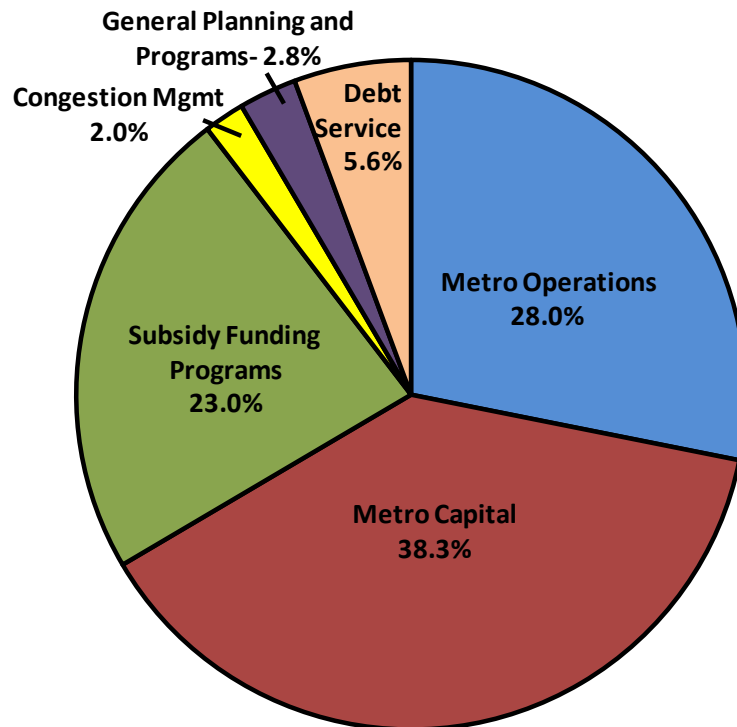
(\$ in millions)

Resources		FY17 Proposed	% of Total FY17 Budget
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2	Federal, State, and Local Grants	910.7	16.1%
3	TDA and STA	450.8	8.0%
4	Passenger Fares	346.2	6.1%
5	ExpressLane, Advertising, and Other Revenues	152.6	2.7%
7	Bond Proceeds and TIFIA Loans	1,415.8	25.0%
8	Total Resources	\$ 5,663.2	100.0%



Summary of Agency Expenditures

Program Type (\$ in millions)		FY16 Budget	FY17 Proposed	Variance \$	Variance %	% of Total FY17 Budget
1	Metro Capital	\$ 2,312.2	\$ 2,173.8	\$ (138.4)	-6.0%	38.4%
2	Metro Operations	1,500.4	1,593.5	93.1	6.2%	28.1%
3	Subsidy Funding Programs	1,379.0	1,306.2	(72.8)	-5.3%	23.1%
4	Congestion Management	99.3	111.0	11.7	11.8%	2.0%
5	General Planning & Programs	180.7	158.5	(22.2)	-12.3%	2.8%
6	Debt Service	328.7	320.1	(8.6)	-2.6%	5.7%
7	Grand Total	\$ 5,800.2	\$ 5,663.2	\$ (137.0)	-2.4%	100.0%



- Balanced budget for FY17
- Net \$137.0 million reduction (-2.4%) includes absorbing cost inflation, new rail service, and other new programs and projects
- Metro resolution to cost control through zero-based budget and Risk Allocation Matrix (RAM)
- Performance Measure to ensure accountability
- Cost control efforts will continue through Annual Program Evaluation (APE) and Midyear budget
- Efforts continue to exercise cost control and working to realize additional savings (to be reflected as an amendment to the budget)


FY17 Budget Development Process

Budget Development Schedule	
Jan-16	RAM initiatives adopted for FY17 implementation
Feb-16	(1) Budget Planning Parameters (2) FY17 Preliminary Capital Program
Mar-16	Agencywide Bus and Rail Service Levels
Apr-16	(1) Preliminary Summary of Expenditures and FTE (2) Bus and Rail Operations Budget
May-16	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, webpage, etc.)
- Online Budget Tool

Online Budget Tool

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Provide input on Metro's budget.

We want you to make new connections.

Metro Careers

Can't find a place to park?



Metro parking survey continues.

Service improvements and new technology make it easier to Go Metro.
Anytime you board a Metro bus or train, there are thousands of Metro employees working behind the scenes to make sure your experience is the best it can be.

Online Budget Tool

What Are Your Transportation Priorities?

Start the survey by prioritizing the programs and services of importance to you below. Then in the next few pages as you respond to a series of questions, you will immediately see the financial impacts associated with your choices, resulting in your personalized budget proposal for Metro to consider as part of our budget planning.

Drag and drop priorities below to reorder.

1. Improve Bus Service

2. Improve Rail Service

3. Improve Highways and Reduce Congestion

4. Reduce First/Last Mile Gaps (Make it Easier to Get to and from Bus and Rail Stations)

5. Improve the Customer Experience and Security

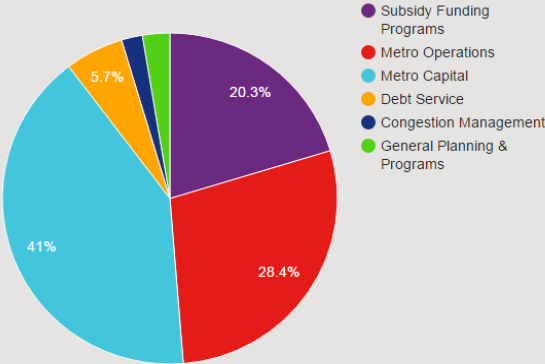
6. Expand the Bike Share Program

Add Comment

Use the navigator below to proceed.

Overview of Metro’s Proposed Budget by Program Type

Select a program type on the pie chart for additional info.



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How Would You Make it Easier to Get to and from Bus and Rail Stations?

See Description

1. What improvement or service would you add to the first/last mile strategy?

Select response:

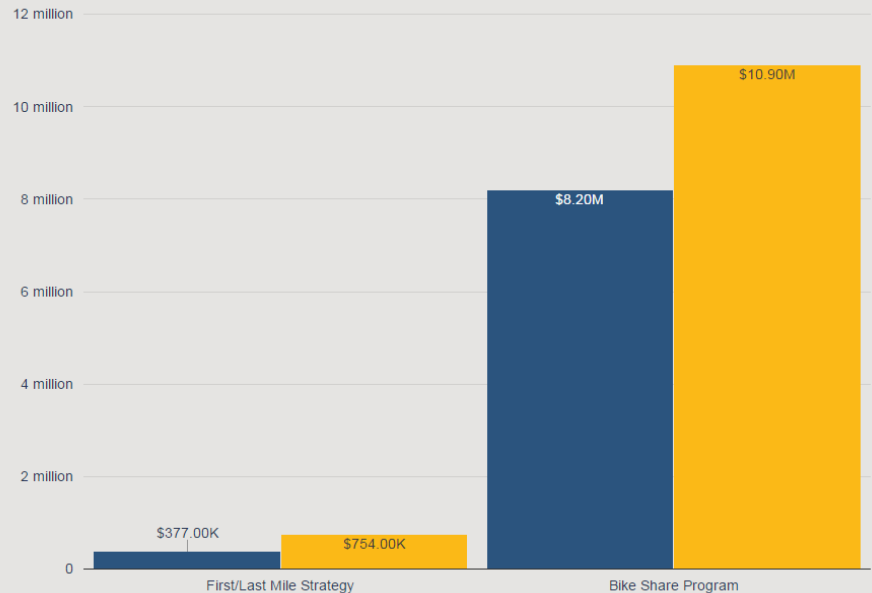
- ☒ Improve sidewalk infrastructure (for example, increase or improve crosswalks, curb ramps, lighting and landscaping)
- ☐ Increase the number of bike lockers and bike parking at transit stations
- ☐ Partner with private entities such as Lyft or Uber to provide discounts or coordinate services
- ☐ Increase the number of Metro parking facilities (Park & Ride Lots)
- ☐ Provide a bike share network at or near Metro bus hubs/rail stations
- ☐ None

Add Comment

Budget

■ Metro Proposed Budget
■ Your Proposed Budget

Metro Proposed Budget
\$8,577,000
Your Proposed Budget
\$11,654,000



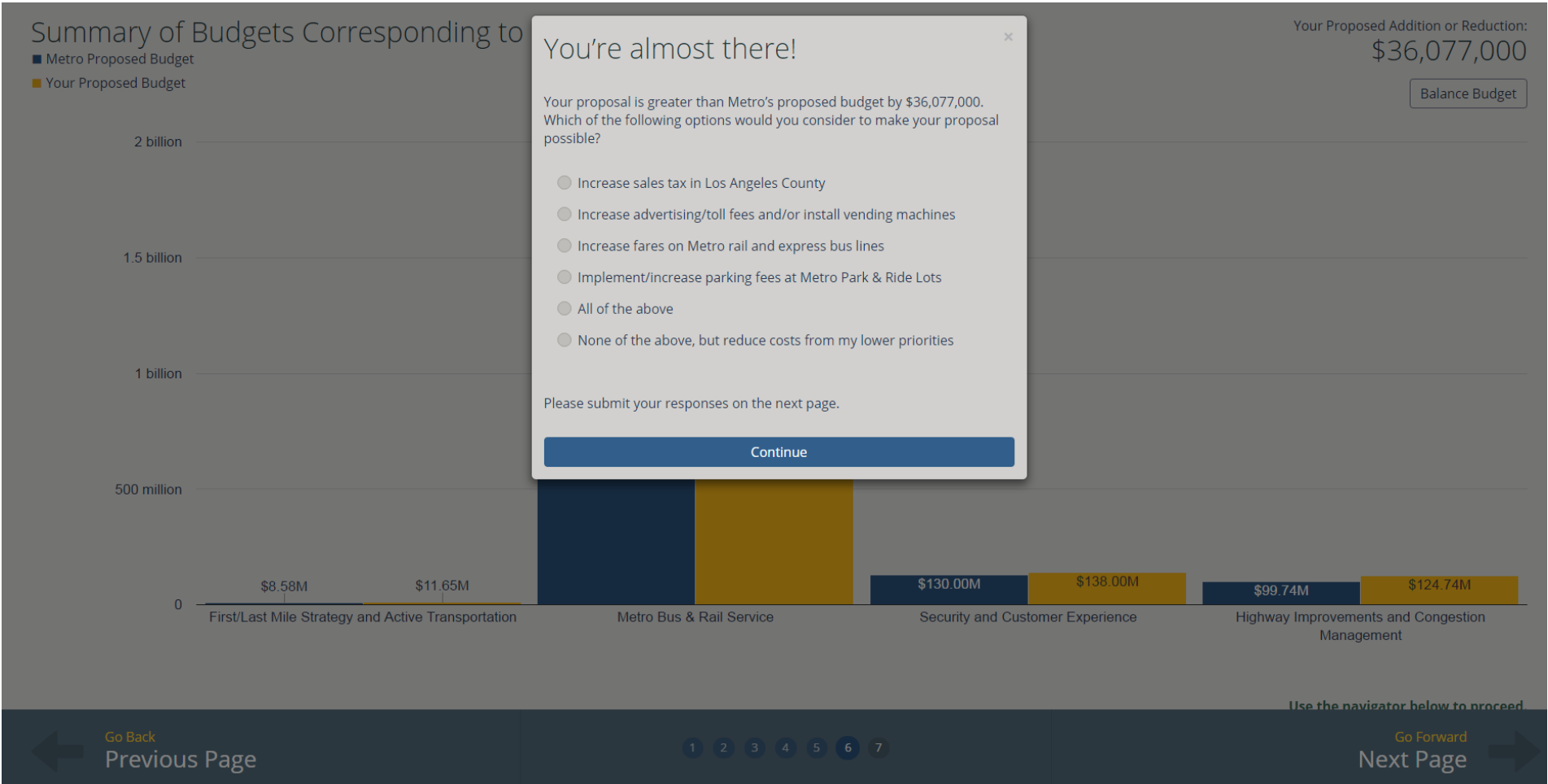
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Thank you for providing your feedback!

Your input is greatly valued and will be reviewed as part of Metro's budget planning.

Stay Connected



OK

FY17 Budget Risks

Deviations from budget assumptions could include:

- Lower than expected sales tax revenue growth
- Lower than expected passenger boardings and fare revenue
- Greater than expected cost Inflation
- Reduced STA and Cap & Trade funding levels
- Federal Funding delays (congressional and other)
- Failure of the State to issue Prop 1B bond funding and/or High-speed rail funding
- Changes in debt borrowing (market) conditions

Request to Adopt FY17 Proposed Budget

- Adopt the FY17 Budget as presented in the budget with the amendment of an additional -\$5.3 million reduction as a reconciliation item to the proposed budget
- Approve the Reimbursement Resolution declaring Metro's intention to issue debt in FY17 for capital projects; Federal tax law requires that bond proceeds can only be used for expenses incurred after the issuance of bonds. In order to be reimbursed for expenses incurred before the bond issue, Metro must pass a resolution indicating the intent to issue bonds at a later date for the expenditures described in the reimbursement resolution.
- Approve an average 3.0% merit increase for non-represented employees which will be based on a merit performance system; this is in line with negotiated wage rates for represented FTEs
- Approve adjustment to management pay grades and salary bands for the top seven levels H1S through HFF to reflect typical market practice. There is no impact to the budget or to current employees' salaries.

Next Steps

- May 26, 2016 – Adoption of FY17 budget; projected to be a balanced budget
- Continue to monitor budget performance and enforce accountability throughout the year