

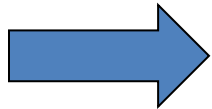
FISCAL YEAR 2019 BUDGET DEVELOPMENT UPDATE

Finance, Budget and Audit Committee
April 11th, 2018

Meeting Agenda

- FY19 Budget Development Process
- Budget Summary by Program
- Expenditures by Program
 - Bus and Rail Operations
 - State of Good Repair
 - Subsidies
- Outreach Update
- Next Steps

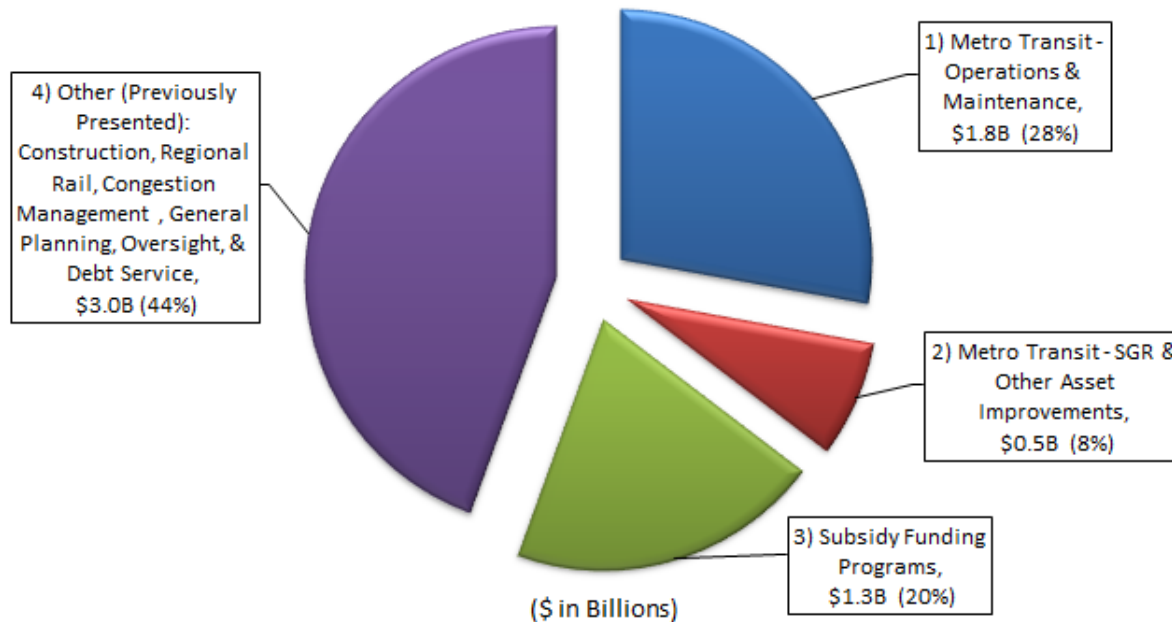
FY19 Budget Process and Schedule



Month	Topic
February	Process and Budget Outlook <ul style="list-style-type: none"> • Budget Development Process and Schedule • Stakeholder Outreach Plan • Sales Tax Forecast, Resources Assumptions • Cost Inflation Estimate
March	New Infrastructure Planning and Construction <ul style="list-style-type: none"> • New Transit System: Rail, Bus Rapid Transit and Alternative Modes • Highway • Regional Rail
April	Operating Budget and Regional Subsidy <ul style="list-style-type: none"> • Metro Transit, including Bus and Rail Service Levels • State of Good Repair (SGR) • Subsidy to Regional Partners
May	FY19 Budget Adoption (Planned) <ul style="list-style-type: none"> • Consolidated Agency-wide Expenses and FTEs Budget Proposal • Public Hearing on May 16, 2018 • Summary of Public Comment and Stakeholder Review • Final Board Adoption on May 24, 2018
June	<ul style="list-style-type: none"> • Prep Funds Availability for Metro Programs & Regional Allocations

FY19 Budget Program Summary

FY19 Preliminary Budget (\$6.6 Billion)



- Approximately \$3.0 Billion, 44% of the total Program Budget, has been previously presented
- Focus is now on:
 - Metro Transit Operations & Maintenance: \$1.8 Billion
 - Metro Transit State of Good Repair: \$0.5 Billion
 - Subsidy Funding Programs: \$1.3 Billion
- These Programs total \$3.6 Billion, the remaining 56% of the total Program Budget



Bus and Rail Operations and Maintenance (Service Levels)

	Bus and Rail Revenue Service Hours (RSH) by Mode	Bus	Rail	Total
1	FY18 Budget	7,006,000	1,245,000	8,251,000
2	Changes in Service Levels			
3	Minor Service Adjustments to Relieve Overcrowding	15,000	32,000	47,000
4	Bus Bridges/"New Blue" Rehabilitation Service Interruptions	84,000	(30,000)	54,000
5	FY19 Preliminary Budget	7,105,000	1,247,000	8,352,000
6	Changes From FY18 Budget	99,000	2,000	101,000
7	% Change	1.4%	0.2%	1.2%

- Service levels are the main cost drivers used to derive the Operating Budget
- Revenue Service Hours projected at 8,352,000; Additional 101,000 hours over prior year
- **Bus** scheduled to operate 7,105,000 hours (Additional 99,000 hours)
 - Minor Service adjustments; Bus Bridge deployment during scheduled Blue Line segment closures for "New Blue" rehabilitation project
- **Rail** scheduled to operate 1,247,000 hours (additional 2,000 hours)
 - Minor Service Adjustments; Offset for "New Blue" segment closures

Trade off of service adjustments for "New Blue" rehabilitation



Bus and Rail Operations and Maintenance (Operating Budget)

	Bus Operations (\$ in millions)	FY18 Budget	Prelim FY19 Budget	\$ Change	% Change	% Total Budget
1	Labor and Fringe	\$ 699.6	\$ 745.3	\$ 45.7	6.5%	60%
2	Consumables, Contracted Services, Other	\$ 503.0	\$ 502.7	\$ (0.3)	-0.1%	40%
3	Total Bus Operations	\$ 1,202.6	\$ 1,248.0	\$ 45.4	3.8%	100.0%

	Rail Operations (\$ in millions)	FY18 Budget	Prelim FY19 Budget	\$ Change	% Change	% Total Budget
4	Labor and Fringe	\$ 234.2	\$ 252.8	\$ 18.6	7.9%	44%
5	Consumables, Contracted Services, Other	\$ 298.3	\$ 322.4	\$ 24.1	8.1%	56%
6	Total Rail Operations	\$ 532.5	\$ 575.2	\$ 42.7	8.0%	100.0%

7	Grand Total	\$ 1,735.1	\$ 1,823.2	\$ 88.1	5.1%	
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- Bus and Rail Operations budget is \$1.8 Billion, an additional \$88 Million over last year
- **Bus Operations: \$1.2 Billion**
 - Labor and Fringe Benefits increasing \$46 Million; Consumables/Other Controllable Expenses decreasing \$0.3 Million
 - Labor/Fringe Benefits increase per negotiated wage provisions and hours needed for bus bridges/special events
 - Consumables decrease the result of expenditure projections below CPI cost inflation budget parameters
- **Rail Operations: \$0.6 Billion**
 - Labor and Fringe Benefits increasing \$19 Million; Consumables/Other Controllable Expenses increasing \$24 Million
 - Labor/Fringe Benefits increase per negotiated wage increases and hours needed for on-street/station supervision for bus bridges/special events
 - Consumables increase for facilities maintenance programs

State of Good Repair

(\$ in Millions)

SGR Category	FY18 Budget	FY19 Preliminary	% of Total SGR Budget	Year Over Year Change
1 Bus Acquisition	\$ 44.0	\$ 96.6	20%	119%
2 Bus Facilities Improvements	\$ 19.6	\$ 17.9	4%	-9%
3 Bus Maintenance	\$ 44.4	\$ 45.7	9%	3%
4 Bus Subtotal	\$ 108.0	\$ 160.1	32%	48%
5 Rail Facilities Improvements	\$ 9.4	\$ 11.9	2%	28%
6 Wayside Systems	\$ 40.8	\$ 85.9	17%	110%
7 Rail Fleet Procurement	\$ 115.0	\$ 127.6	26%	11%
8 Rail Vehicle Maintenance	\$ 70.9	\$ 50.4	10%	-29%
9 Rail Subtotal	\$ 236.1	\$ 275.8	56%	17%
10 Non-Revenue Vehicles	\$ 11.3	\$ 3.9	1%	-65%
11 Construction - Regional and Hubs	\$ 63.1	\$ 35.6	7%	-44%
12 Technology	\$ 13.4	\$ 17.6	4%	31%
13 Other Subtotal	\$ 87.8	\$ 57.1	12%	-35%
14 Total Proposed SGR Budget	\$ 431.9	\$ 493.1		14%

- **Budget is approximately \$493 Million, a 14% increase over last year**
- **Bus Infrastructure Rehabilitation: \$160 Million**
 - \$96 Million for bus fleet conversion to Electric/Zero Emission Buses (ZEB)
 - \$64 Million to provide on-going facilities improvements and Bus midlife activities
- **Rail Infrastructure Rehabilitation: \$276 Million**
 - \$128M dedicated for rail vehicle procurement (new vehicle demand and replacement of existing Blue Line fleet)
 - \$98M allocated for on-going facility improvements and “New Blue” rehabilitation
 - \$50M for on-going rail vehicle mid-life and component overhaul programs
- **Other Asset Improvements: \$57 Million**
 - Purchase/integration of new asset management system, Connected Bus/Wi-Fi installations, and utility vehicle/equipment purchases to support Bus/Rail Operations maintenance

Subsidy Funding Programs

Subsidy Funding Programs (\$ in millions)	FY18	FY19	\$ change	% change
	Budget	Preliminary		
1 Local Agencies	\$ 729.2	\$ 769.4	\$ 40.2	5.5%
2 Regional Transit	469.4	523.3	53.9	11.5%
3 Regional Federal Grants	30.6	25.5	(5.1)	-16.7%
4 Fare Assistance	14.1	14.7	0.6	4.3%
5 Total Subsidy Funding Programs	\$ 1,243.3	\$ 1,332.9	\$ 89.6	7.2%

- Subsidies are all funding that goes directly to Muni/Local/Access Operators and Cities per Federal guidelines, State Law, and adopted Board policies
 - Includes Bus Operating Funds and Local Return funds from each sales tax measure and Federal Formula Grants
- Local Agency and Regional Transit programs are increasing from FY18 to FY19 is a direct result of the growth in sales tax revenues; and Includes \$10 Million increase in net Toll Grants
- Regional Federal Grants declining due to uncertainty of Federal Grant funding (e.g. JARC, New Freedom, and Federal 5310)
- Fare Assistance increasing due to Measure M sales tax growth

Next Steps

- Staff will continue to develop and finalize the Consolidated FY19 Proposed Budget
- Ongoing outreach efforts to engage stakeholder groups utilizing social media and creative venues
- Public hearing of the proposed budget will take place on May 16th
- Final board adoption expected on May 24th
 - Board adoption legally required before fiscal year start

