

Item: 1

# **Fiscal 2008 Budget Preview**



## Preparation of FY2008 Budget Proposal is Guided by:

### Revenue Assumptions –

- Passenger Revenue (Fare Policy and Ridership Forecasts)
- Non-Passenger Revenue (Business Opportunities)

### Expense Assumptions –

- Impact of Prior Year Decisions (Annualization)
- Inflation:  
    Personnel Costs, Fuel and Energy, Insurance, etc.
- Mandatory Increases:  
    Paratransit, Workers Comp & Accident Claims, etc.

<i>Operating Budget</i> <i>\$ Millions</i>	FY2007 Approved	FY2008 Proposed
Revenue	\$644	?
Expense	1,105	?
Subsidy	<u>\$461</u>	



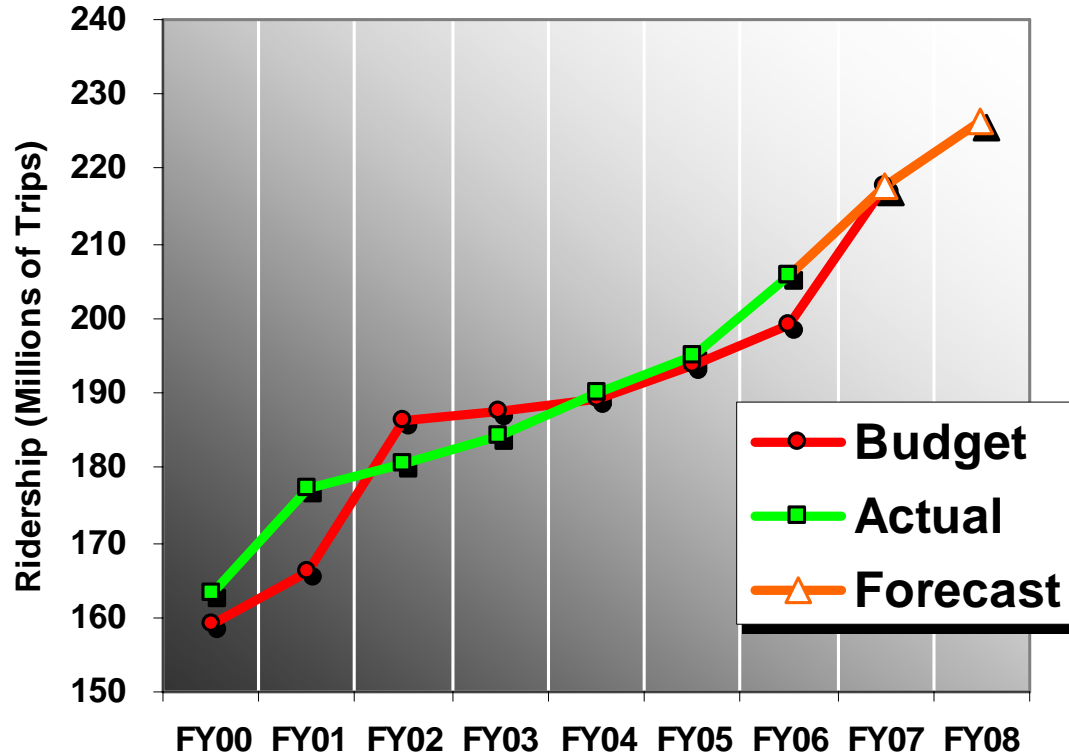
***Ridership Forecasts***

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- **FY07 Budget Adjusted Upward to Reflect Higher Growth**  
***Gain from “Catch Up” is now in base budget***
- **FY08 Assumptions Based on Historical Trends?**  
***+4% Rail growth***  
***+2% Bus growth***
- **Each 1% Growth in Ridership Equals:**  
***\$4 million Rail Revenue***  
***\$1 million Bus Revenue***



**METRORAIL RIDERSHIP**

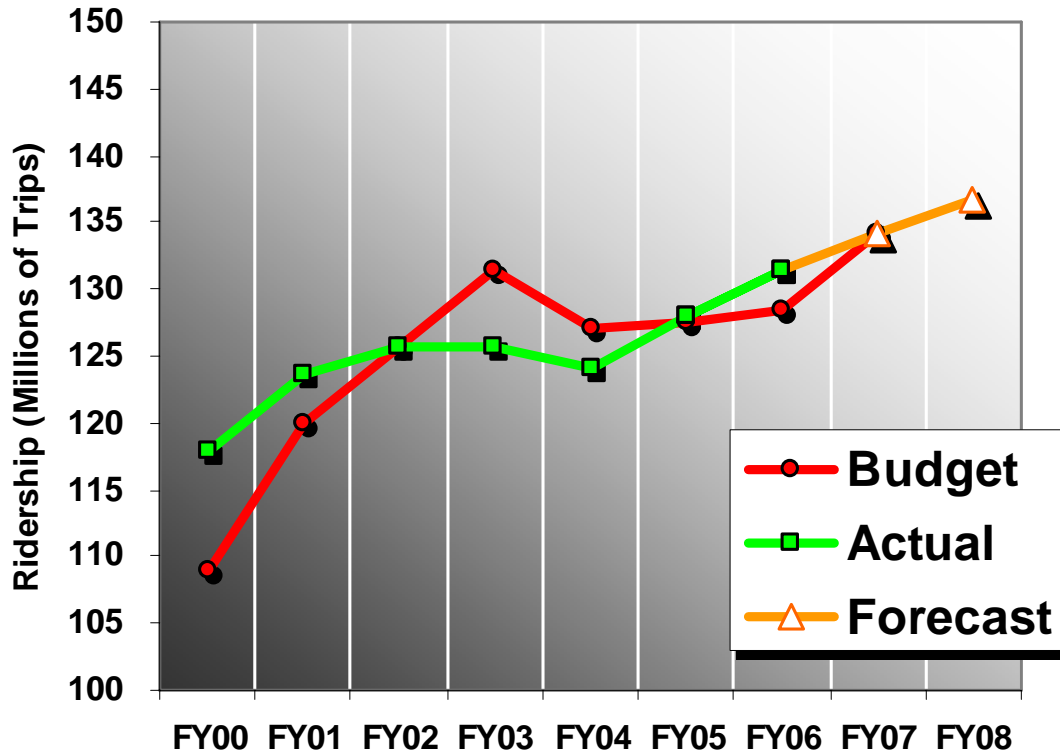


**Riderhsip Growth Rates**

Metrorail	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Budget	4.4%	12.2%	0.7%	0.9%	2.5%	2.8%	5.0%	4.0%
Actual	8.6%	1.9%	2.1%	3.0%	2.8%	5.8%		



**METROBUS RIDERSHIP**



**Riderhsip Growth Rates**

Metrobus	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Budgeted	10.1%	4.9%	4.4%	-3.2%	0.3%	0.7%	2.0%	2.0%
Actual	5.0%	1.6%	0.1%	-1.3%	3.1%	3.5%		



***Fare Policy***

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- **FY06 and FY07 No Fare Increases**
  
- **FY08 Fare Policy Options:**
  - Targeted Fare Increase to Generate \$x Revenue**
  - Constant Cost Recovery**
  - Indexed Increases**
  - Market Based Prices**
  - Fare Adjustments Up & Down to Affect Customer behavior**
  - Incentives for Cashless Fare Payment**

***Non-Passenger Revenue Policy***

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**How to Market the Metro Brand**

- **Business Opportunities**
- **Advertising**
- **Joint Promotional Revenue**
- **Public – Private Partnerships**



## **Measure What the Customer Experiences**

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- **FY08 Operating Budget will be “Performance Based”**
- **A Small Number of High Level Performance Measures will Cascade Through the Organization**
- **All Offices and Departments will be Measured  
Goals will be Set  
Budgets will Support Achievements of Goals**
- **Benchmarks will be Reported**
- **Budget Focus Shifts from Measuring Inputs to Measuring Outputs and Results**

## 75% of All Costs are Personnel Related (85% of Personnel Cost Controlled by Labor Contracts)

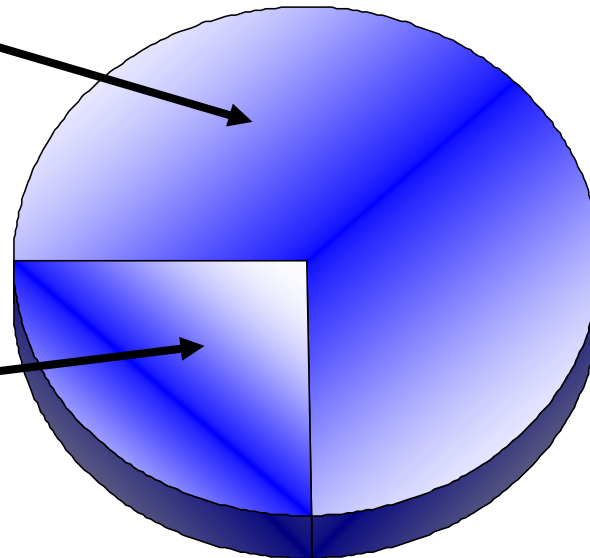
### 75% Personnel Costs:

- Payroll
- Fringe Benefits

### 25% Non-Personnel Costs:

- Services
- Materials
- Energy
  - Diesel Fuel
  - Natural Gas
  - Electricity
- Insurance
  - Claims
  - Liability
- All Other

*\$1.1 Billion Operating Cost*





## 98% of All Costs Go To Produce Service *Metrobus Metrorail MetroAccess*

### 98% Fixed Cost:

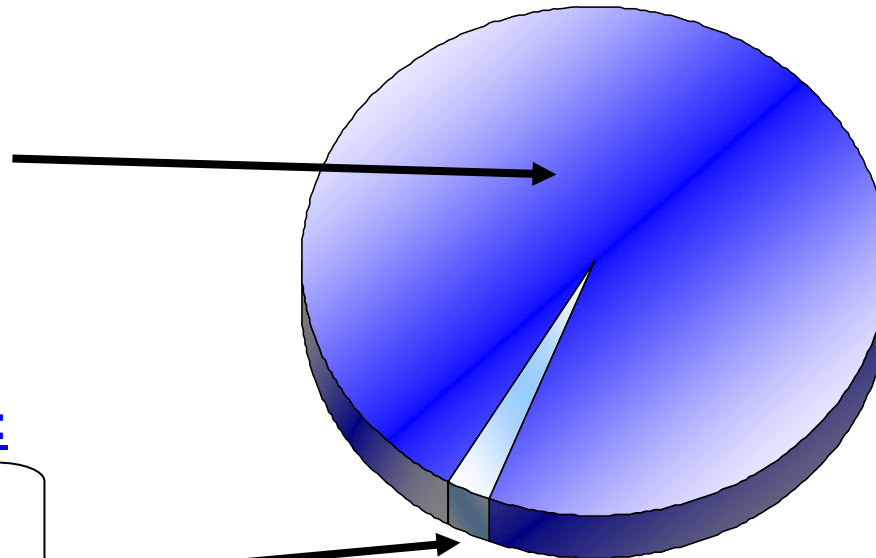
Determined by  
*Quantity & Quality*  
of Service Provided

- Operator Wages
- Propulsion Power
- Mechanics
- Vehicle Parts

### 2% Discretionary Costs:

- Liability Insurance
- Consultants
- Business Travel
- Dues & Subscriptions

*\$1.1 Billion Operating Cost*





### ***Next Steps.....***

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- **Seek Input from Constituent Groups**
- **September Budget Committee Meeting Agenda:**
  - FY06 Year End Results**
  - FY07 Status Report**
  - FY08 Forecast**
- **FY08 Proposed Budget Will Constrain Subsidy Growth In Keeping with Blue Ribbon Panel Recommendations**
- **Budget Options will be Presented to Allow for Board Preferences: Service Levels and Fare Options**