



Metropolitan Transportation Authority

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**PLANNING AND PROGRAMMING COMMITTEE
FEBRUARY 14, 2007**

SUBJECT: 2007 LONG RANGE TRANSPORTATION PLAN UPDATE

ACTION: APPROVE FINANCIAL FORECAST AND BASELINE ANALYSIS

RECOMMENDATION

Approve an updated financial forecast and baseline analysis that supports the 2007 Long Range Transportation Plan Update process.

ISSUE

Countywide Planning and Development has updated the financial forecast and baseline analysis for the 2007 Long Range Transportation Plan Update for Los Angeles County.

POLICY IMPLICATIONS

Due to the potential funding impacts of Proposition 1B, the \$19.9 billion statewide transportation infrastructure bond that California voters passed on November 8, 2007, Countywide Planning and Development has had to revisit our original May 2006 financial forecast and baseline analysis. This update of the financial forecast is consistent with Metro's 2001 Long Range Transportation Plan.

FINANCIAL IMPACT

Overall, we expect that the 2007 Long Range Transportation Plan Update for Los Angeles County will provide for an estimated \$152.8 billion in revenues (see Attachment A); an estimated \$152.8 billion in expenditures (see Attachment B), of which Metro decision-making controls an estimated \$108.7 billion (see Attachment C); and an estimated \$6.6 billion as an available, unassigned balance. The estimated \$6.6 billion unassigned balance is available only if our cost and revenue assumptions, as explained herein, are realized. This is especially true with our assumption that the Metro transit operating and capital structural deficit is resolved. Attachment D shows the anticipated timing for the available, unassigned funds. Our recommendation itself will have no impact on the fiscal year (FY) 2007 Metro Budget.

ALTERNATIVES CONSIDERED

The Board of Directors may choose not to approve our recommendation. However, we do not recommend this option, as choosing not to approve our recommendation would delay the 2007 Long Range Transportation Plan Update.

DISCUSSION

An early step in the Long Range Transportation Plan process was to conduct a system and corridor performance analysis, as well as to update the Plan's financial assumptions. In May 2006, the Board of Directors approved project performance criteria for planning and evaluating transportation projects for the 2007 Long Range Transportation Plan Update. Also, at the May 2006 Board meeting, we presented an outline of the financial outlook through the Plan's 2030 horizon date. Similar to the 2001 Plan, the 2007 Plan Update will include a "Constrained Plan" that identifies those projects for which current funding has been assigned, as well as a "Strategic Plan" that identifies those projects that could be funded if additional funding becomes available.

During summer 2006, our Long Range Transportation Plan financial forecast changed because the State Legislature and the Governor added Proposition 1B to the November 2006 ballot. The Plan Update schedule was delayed to capture the election outcome. Our updated financial assumptions and the attendant analysis, which includes those funds that are uncommitted and could be used for new transportation initiatives, are reviewed herein. We also review the next steps leading to Board-adoption of the 2007 Long Range Transportation Plan Update for Los Angeles County.

Approach to Metro Transit Operating and Capital Structural Deficit

The financial forecast of the 2007 Long Range Transportation Plan Update is an analysis of countywide projected revenues and costs through the Plan's 2030 horizon date. As the largest cost portion of the forecast is for Metro transit service, the assumptions regarding how the Metro transit operating and capital structural deficit is resolved continue to be critical aspects of the financial forecast. The Board of Directors has not yet determined exactly how it will resolve the structural deficit. Although nothing in this report is intended to commit the Board to any specific solutions, we have made the assumption that Metro will achieve a 38% fare recovery ratio by FY 2010.

If the Metro transit operating and capital structural deficit ultimately is not resolved, a 2007 Plan Update that is developed with the assumption that the deficit is resolved will become invalid and could not be used to secure billions of dollars of state and federal support for improving mobility in Los Angeles County. Furthermore, without resolution of the structural deficit and a valid Plan Update, Metro could invite again oversight audits from the state and federal governments due to a lack of financial confidence, as occurred in 1998 with the Restructuring Plan process that the Federal Transit Administration required. As we move through the remainder of the 2007 Plan Update process this spring and summer, we will be monitoring and incorporating Board decisions addressing the structural deficit.

Other Cost Assumptions for Existing and Previously Planned Projects

On the cost side of the baseline analysis, we assume that all existing adopted programs, planned projects, and Metro and municipal transit operations are continued for the Plan Update duration. We are projecting growth in the countywide bus and rail operations based on Municipal Operators' input and Metro planned projects. Operating funds are assigned in the forecast as busway and rail projects are completed and integrated with the existing transportation system countywide. Various other baseline assumptions include:

- Metro Ten-Year Forecast is used through FY 2016, including its labor, benefits, fuel, maintenance, and rehabilitation assumptions;
- The Plan Update uses the Consumer Price Index (CPI) for annual growth in most of the revenues and costs determined beyond 2016 through 2030;
- Approximately 200 Metro 40-seat equivalent buses are replaced annually which would renew the fleet about every thirteen years;
- After FY 2016, rail rehabilitation and replacement costs are based on a comprehensive cost model built for this purpose;
- Municipal Operators' estimated costs of operations, growth, bus replacements, and new services are included, but assume that unmet needs over Formula Allocation Procedure funds are paid for with non-Metro controlled funds;
- Updated Caltrans project costs;
- Total future non-freeway Call for Projects funding of \$4.2 billion through 2030 is derived from the average annual unescalated amount in the adopted 2001 Long Range Transportation Plan escalated by current CPI;
- Funding for the current Metrolink commuter rail system assumes the new Board-approved operating formula for Metro's contribution to Metrolink's operating budget, and funding reflects Metrolink annual projections that approximate a 4% annual increase for the period FY 2008 through FY 2030 (funding is no longer included in the Call for Projects);
- A contingency fund is assumed for cost growth in capital projects;
- Funding for the existing Regional Integration of Intelligent Transportation Systems (RIITS) and the established network is maintained, plus enhancements to ensure seamless communication among all modes of transportation and integration of regionally significant multi-modal transportation agency and emergency service systems (funding is no longer included in the Call for Projects and instead is included in annual Metro programming and budgets);

- Rideshare/vanpool program funding is based on historical levels, plus current Board-adopted policies and annually increased by CPI (funding is no longer included in the Call for Projects and instead is included in annual Metro programming and budgets); and
- Highway and transit projects to be funded from the adopted 2001 Long Range Transportation Plan have been updated to reflect more current cost estimates, as listed in Attachment E.

Revenue Assumptions

We assume that revenue sources will grow according to a series of conservative base assumptions previously presented to the Board of Directors in May 2006. This includes some revenues increasing annually by CPI, while others increase according to their historical growth. For example, the average annual growth of the Federal Highway Trust Fund is 1.4% over the last twenty-one years. We assume that this will continue annually into the future throughout the planning period (after the current federal transportation funding legislation expires in 2009). Other major revenue assumptions assumed are:

- Local sales taxes (including Propositions A and C) grow annually at 3.95%;
- Future bond debt by Metro will adhere to adopted debt management policy;
- State Proposition 42 funds (sales tax on gasoline) are assumed to be available each year;
- State Traffic Congestion Relief Program (TCRP) projects are fully funded;
- State infrastructure bond funds from Propositions 1B and Proposition 1C (Transit Oriented Development) could potentially yield \$5.9 billion; and
- No growth is assumed in the state gas tax.

NEXT STEPS

We are now developing the draft 2007 Long Range Transportation Plan Update. In Spring 2007, we will present preliminary recommendations to the Board of Directors for programs and projects that could be included in the Constrained Plan element or the Strategic Plan element. With Board action, we will integrate Board recommendations into a draft Plan Update that will be released for public review.

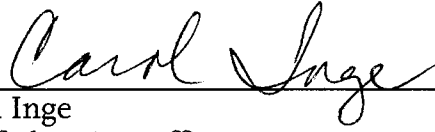
In Summer 2007, we expect to provide the Board with the draft 2007 Long Range Transportation Plan Update and seek Board approval to release the document for a 45-day review period. Finally, in Fall 2007, once we have evaluated comments received during the public review process, we plan to present to the Board any recommendations for changes to

the draft Plan Update and seek final Board approval. The adopted Plan Update then will be submitted to the Southern California Association of Governments so that they may incorporate it in their pending 2008 Regional Transportation Plan.

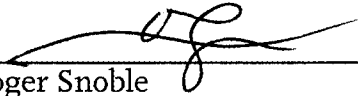
ATTACHMENTS

- A. Long Range Financial Forecast for Transportation/Sources
- B. Long Range Financial Forecast for Transportation/Uses
- C. Long Range Financial Forecast for Transportation/Metro-Controlled Uses
- D. Long Range Financial Forecast for Transportation/Available Funds (Cumulative)
- E. 2007 Plan Baseline Major Highway and Transit Project Listings

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Long Range Financial Forecast for Transportation

Attachment A

- LA County's large local funding share is unique in the nation
 - 1.25 cent sales tax: Transportation Development Act = $\frac{1}{4}$ cent, Proposition A (1980) = $\frac{1}{2}$ cent, and Proposition C (1990) = $\frac{1}{2}$ cent

