



Board Report

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Response

Agenda Number:6.1.

**REGULAR BOARD MEETING
JUNE 25, 2015**

Motion by:

**Directors Antonovich, Knabe, Solis and Najarian
Amended by Dupont-Walker**

June 25, 2015

**Relating to Item 6, File ID 2015-0259
Metrolink/Regional Rail Fiscal Accountability**

The Southern California Regional Rail Authority (Metrolink), comprising five member County Regional Transportation Agencies, provides a vital regional commuter rail service that connects the residents, businesses, and attractions of Los Angeles County to those of Ventura, San Bernardino, Riverside, Orange, and San Diego Counties.

Los Angeles County Metro (Metro) is the largest agency in the Metrolink system by all measurements - service area, number of stations, ridership, and annual subsidy to support Metrolink's annual operating budget.

As the majority contributor to Metrolink's annual operating budget (51%), Los Angeles County plays an essential role in funding the operations, maintenance, and State of Good Repair of the capital-intensive Metrolink system to provide a safe, reliable, and efficient transit alternative for the people of Los Angeles County.

In support of this mission, Metro programs and provides funding to Metrolink through Proposition C 10% and Measure R 3%. **Combined, these funding categories will provide approximately \$96 million in Fiscal Year 2016 (FY16).**

The demand for these finite funds continues to grow with increasing requests from Metrolink and Metro departments. Metrolink, for example, has requested approximately \$107.5 million for FY16, including:

- \$65.5 million operating subsidy
- \$20.0 million for new Capital Rehabilitation programs
- \$13.0 million to acquire new Ticket Vending Machines (TVMs) to replace the antiquated, unreliable 20-year-old TVMs
- \$5.8 million for Crash Energy Management passenger railcars to provide greater safety for our

customers

- \$2.6 million for Right of Way (ROW) Security
- \$0.5 million in various other programs
- \$0.1 million for one-time special events

Meanwhile, Metro staff has requested \$10.2 million between FY17 and FY21 in Proposition C 10% funding to be issued as debt to support the Call for Projects (Item #15). Additionally, Metro Regional Rail has requested \$40 million in Metrolink-eligible funding in FY16 to support ongoing capital projects it manages.

As demand begins to oversubscribe funding capacity, Metro must develop a clear policy that prioritizes the use of these funds for vital needs-operations, maintenance, safety improvements and State of Good Repair-over subordinate ones (i.e., debt issued for Call for Projects) to fulfill our primary goal to provide safe, reliable and efficient commuter rail service in Los Angeles County.

In addition to this policy, Metro must also ensure that the funding it does provide for Metrolink and Regional Rail programs is being used in a timely and cost-efficient manner so that scarce Proposition C 10% and Measure R 3% funds are used as effectively as possible.

For example, Metro staff has identified an ongoing problem with Metrolink's Capital Rehabilitation program, whereby \$40 million of previously programmed and budgeted rehabilitation funds from Metro for Metrolink remain unspent. Consequently, Metro staff has recommended (Item #6C) that Metro withhold the \$20 million in Metrolink-requested funds for FY16 until which time Metrolink staff can account for the prior unspent funds and develop a complete inventory of current and future needs that draw down upon these funding sources. This problem signifies not just a budgetary issue, but also a safety culture issue, as rehabilitation and state of good repair projects need to be implemented as soon as possible to preserve the safety of the commuter rail system.

Additionally, Metro programs funding to construct Regional Rail capital projects that are in support of Metrolink and other Regional Rail operations in Los Angeles County. These projects also require a full accounting to ensure that their Life-of-Project budgets, costs, cashflows, and timelines are clearly defined and maintained to foster accountability and safeguard these limited funding sources from additional burdens caused by delay, cost overruns, and unnecessary project scope.

To protect the safe and robust operation of Metrolink in Los Angeles County, it is incumbent upon the Metro Board to reconcile all demands for Metrolink-eligible funding, prioritize the programming of funds, and review the implementation of all Metro Regional Rail and Metrolink capital projects using this funding to protect against project cost overruns, delays, and excessive scope.

APPROVED Antonovich, Knabe, Solis and Najarian Motion as amended by Dupont-Walker that the Board directs the CEO to develop a policy on the use of Metrolink-dedicated sources of funding (Proposition C 10% and Measure R 3%) that embodies at minimum the following principles.

- A. The first priority for the use of these funding categories is for Metrolink core functions of operations, maintenance, safety and rehabilitation capital improvements, and State of Good Repair projects;
- B. All subordinate demands for these sources of funding shall not draw down funding from nor encumber debt upon these funding sources that are necessary to support the projected demands of Metrolink core functions unless sufficient capacity for future years can be demonstrated; and
- C. A quarterly written report shall be presented to the Board that reviews and tracks at minimum the project implementation timelines, cashflow, costs, and Life-of-Project budget for Metrolink (Los Angeles County) and Metro Regional Rail programs and projects.

WE FURTHER MOVE that the Board directs the CEO to work with Metrolink to identify projected Operating and Maintenance expenses over the next five Fiscal Years (through FY20), with a report back to the Board within 90 days.

WE ALSO MOVE that the Board (1) supports the staff recommendation for Item #6C to defer Metro's share of the Metrolink FY16 Renovation and Rehabilitation budget and (2) directs the CEO to request from Metrolink within 30 days a full accounting of its Capital and State of Good Repair needs, including but not limited to the following:

- A. A current inventory and status of all New Capital, Capital Rehabilitation, and State of Good Repair projects, including at minimum the following elements:
 - 1. Year of original Metro fund allocation to these projects;
 - 2. Life-of-Project budgets;
 - 3. Project implementation timelines and progress to date;
 - 4. Percent completion of each project versus percent of funds spent;
 - 5. All unspent funds;
 - 6. Reasons for any delay in project implementation;
 - 7. Estimated cashflow requirements for each project over the next five Fiscal Years (through FY20);
- B. New projects expected over the next five Fiscal Years (through FY20); and
- C. An inventory of all currently unfunded State of Good Repair and safety improvement needs for the Metrolink system within Los Angeles County.

WE FURTHER MOVE that the Board directs the CEO to provide within 60 days a full accounting of all Regional Rail capital projects managed by Metro, including but not limited to the following elements:

- A. Life-of-Project budgets;
- B. Project implementation timelines;
- C. Cashflow needs;
- D. An accounting of all project delays and cost increases over the past three years; and
- E. A review of project scope for extraneous or deferrable elements to relieve demand upon Metrolink-eligible funding.

WE ALSO MOVE that the Board directs the CEO to develop within 120 days for the Board an ongoing short-range Metrolink program (Program) that plans out five years of funding commitments for Metrolink operations, maintenance, capital, and state of good repair.

- This Program will reconcile and prioritize the various demands on Metrolink-eligible funding and instill accountability and discipline for how Metro spends its Metrolink-eligible funding, with the possibility that Metro could provide multiyear funding commitments to Metrolink to reduce risk and costs for multiyear Metrolink programs and projects resulting from Metro's year-to-year annual budget process.

WE FURTHER MOVE that the Board defer approving the inclusion and/or debt encumbrance of Proposition C 10% as a funding source for the 2015 Call for Projects, except for projects which have a clear and direct nexus to a current or planned Metrolink station as determined by the CEO, until which time the Program is completed and capacity for Proposition C 10% is determined to be available.

- Should such Proposition C 10% capacity not be available, the Board directs the CEO to provide an alternative funding plan, excluding funding eligible for Metrolink and Metro bus and rail operations, for projects that would no longer have Proposition C 10% available as a funding source.

AMENDMENT by Dupont-Walker that the CEO evaluate whether Metro or Metrolink should procure Architectural and Engineering contracts.