

FY21 Proposed Budget

**Budget Public Hearing
September 16, 2020**

FY21 Proposed Budget Highlights

Objective: Balancing FY21 Proposed Budget with available resources under severe financial constraint due to COVID-19, while staying on course to deliver Metro's mission

Revenues

- Projecting revenue loss of \$730M, \$490M in Sales Taxes and \$241M in Fares and Tolls
- Assumes gradual recovery that starts in September 2020, with a full recovery anticipated in June 2021
- CARES stimulus does not cover all losses in operations and provides no funding for capital projects

Expenses

Labor:

- No reduction of FTEs from FY20 Budget level (CARES reimbursement)
- Union wages will increase up to 4.5% per the Collective Bargaining Agreements (CBA)
- Controlling costs through Non-Contract vacancy savings and overtime usage

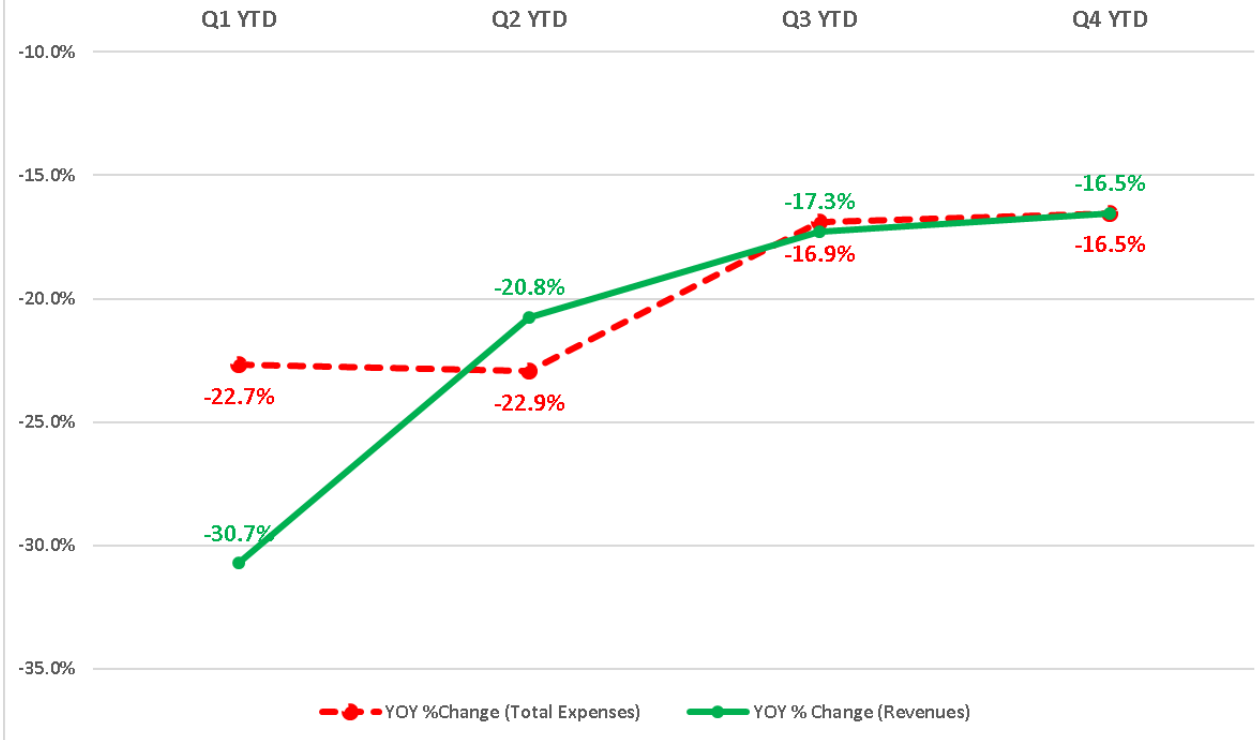
Programs:

- Enhanced cleaning, sanitizing, and PPE availability
- Transit Services at 81% of pre-COVID revenue hours, estimated boardings at 55%
- NextGen investments of \$7M for service enhancements, plus \$123M for other bus improvements
- All Measure M/R projects in FY20 moving forward, planning phases moving towards shovel ready status
- Transit funding to operators and cities continue regionally, with CARES funds mitigating declines
- Congestion Management and other mobility initiatives adjusted to match demand
- Cost controls in place for Oversight and Administrative projects, leading to 12% reduction

If needed, Mid-Year Budget will be brought to Board for approval based on the pace of recovery

Quarterly Revenue and Expense Projection Trend

YOY % Change by YTD - Total Expenses & Revenues
FY20 Budget vs. FY21 Preliminary Budget



- The Total Expenses Reduction Curve follows the Revenue Loss Curve
- Cost inflation is projected to increase by 2.3%, based on leading regional forecasts
- Anticipated recovery assumes to start in Q2 and continue through the remainder of FY21
- Average Monthly Expenses increases 21.7% from Q1 YTD to Q4 YTD
- A midyear budget adjustment may be necessary if recovery takes longer than assumed

	FY21 Proposed Budget			
	Q1 YTD	Q2 YTD	Q3 YTD	Q4 YTD
Average Monthly Expense \$	\$ 412.2	\$ 425.4	\$ 465.8	\$ 501.4
% Reduction vs. FY20 Budget	-22.7%	-22.9%	-16.9%	-16.5%

Resources and CARES Act Summary

	Resources (\$ in millions)	FY20 Budget ⁽¹⁾	FY21 Proposed	\$ Change	% Change
1	Sales Tax, TDA and STA	\$ 4,174.4	\$ 3,685.0	\$ (489.4)	-11.7%
2	Passenger Fares	284.5	60.3	(224.2)	-78.8%
3	ExpressLanes, Advertising and Other Revenues	155.1	138.6	(16.5)	-10.6%
4	Sales Tax and System Generated Subtotal	\$ 4,614.0	\$ 3,883.9	\$ (730.1)	-15.8%
5	CARES Reimbursements	-	569.6	569.6	100.0%
6	Grants and Other Reimbursement Revenues ⁽¹⁾	2,594.8	1,563.8	(1,030.9)	-39.7%
7	Total Resources	\$ 7,208.8	\$ 6,017.3	\$ (1,191.5)	-16.5%

⁽¹⁾ Include Bond Proceeds, Transportation Infrastructure Finance and Innovation Act (TIFIA) loan drawdown and prior year commitment.

- Sales Tax and System Generated Revenue loss is \$730 million or -15.8%, offset by \$570 million for CARES

Recipient (\$ in Millions) for FY20 and FY21	CARES Allocations	Metro Allocations
Municipal Operators	\$ 148.0	
Metro (Bus/Rail/Regional) ⁽¹⁾	772.2	772.2
<i>Fund Exchanges</i>		
Small Operators	8.3	8.3
Tier 2 Operators	4.5	4.5
Metrolink	56.4	56.4
Access Services	33.5	33.5
<i>Direct Apportionments</i>		
Santa Clarita Transit	17.4	
Antelope Valley Transit	27.8	
TOTAL CARES Act	\$ 1,068.0	\$ 874.9

- CARES Act priority was to address and mitigate reductions in sales tax and fare revenue
- Additionally, each operator received supplemental CARES Act funding to address losses
- Metro CARES Act allocation for FY20 (\$305 million) and FY21 (\$570 million)
- CARES stimulus does not cover all losses in operations and provides no funding for capital projects

⁽¹⁾ Allocations will be based on Southern California Association of Governments (SCAG) Split Letter Addendum, \$13M in adjustments will be made through PY 5307 apportionments.

Expense and FTE Summary

Program Type (\$ in millions)		FY20 Budget	FY21 Proposed	FY20 - FY21 \$ Change	FY20 - FY21 % Change	% of Total
1	Metro Transit - Operations & Maintenance	\$ 1,839.1	\$ 1,798.6	\$ (40.4)	-2.2%	29.9%
2	Metro Transit - SGR & Other Asset Improvements	493.5	457.0	(36.5)	-7.4%	7.6%
3	Metro Transit Subtotal	2,332.6	2,255.6	(77.0)	-3.3%	37.5%
4	Transportation Infrastructure Development	2,382.4	1,486.5	(895.9)	-37.6%	24.7%
5	Subsidy Funding Programs	1,404.7	1,239.2	(165.5)	-11.8%	20.6%
6	Regional Rail	178.2	219.5	41.3	23.2%	3.6%
7	Congestion Management	135.9	89.6	(46.3)	-34.0%	1.5%
8	General Planning & Programs	168.9	155.1	(13.8)	-8.2%	2.6%
9	Debt Service	534.9	509.2	(25.8)	-4.8%	8.5%
10	Oversight and Administration	71.2	62.6	(8.6)	-12.1%	1.0%
11	Total Expenditures	\$ 7,208.8	\$ 6,017.3	\$ (1,191.5)	-16.5%	100.0%

- Metro Transit totals \$2.3 billion, (37.5% of FY21 Budget) and sees the smallest decline vs. FY20
- All construction projects from FY20 are moving forward, projects in planning phases advancing towards shovel ready status
- Cost controls in place for Oversight and Administration leading to 12% reduction

Agency FTEs	FY20 Budget	FY21 Proposed
AFSCME	821	821
ATU	2,444	2,444
TCU	915	915
TEAMS	175	175
UTU	4,127	4,127
Non-Contracts	1,737	1,737
Total FTEs	10,219	10,219
Total Agencywide Represented	8,482	8,482
Total Agencywide Non-Represented	1,737	1,737
Grand Total	10,219	10,219

- FY21 Budget FTEs remains unchanged from FY20 Budget level
- Agency looks to protect its existing employees from the economic impact of this pandemic by retaining its workforce while controlling cost through vacancy savings and reducing overtime usage whenever applicable.

Metro Transit Expenses - Summary

Metro Transit Expenses (\$ in millions)	Expense Category	FY20 Budget	FY21 Proposed	\$ Change	% Change	% of Total
Direct Operating Cost	Labor - FTE	\$ 1,147.9	\$ 1,192.6	\$ 44.7	3.9%	52.9%
	Labor - Overtime	88.9	53.0	(35.9)	-40.4%	2.3%
	Total Labor	1,236.7	1,245.6	8.9	0.7%	55.2%
	Total Non-Labor	320.4	278.4	(42.0)	-13.1%	12.3%
Total Direct Operating Cost		1,557.1	1,524.0	(33.1)	-2.1%	67.6%
Total Supporting Costs		281.9	274.6	(7.3)	-2.6%	12.2%
Total Metro Transit - Operations & Maintenance		1,839.0	1,798.6	(40.4)	-2.2%	79.7%
Total Metro Transit - SGR		493.5	457.0	(36.5)	-7.4%	20.3%
Total Metro Transit		\$ 2,332.6	\$ 2,255.6	\$ (77.0)	-3.3%	100.0%

Metro Transit Expenses – Total

- Overall FY21 Proposed Budget of \$2.3 billion is \$77 million or -3% lower than FY20
- Funding to Metro Transit has been maximized through utilizing all possible eligible funding and CARES Act reimbursement

Operations & Maintenance Expenses

- Enhanced cleaning and sanitizing for vehicles and stations and PPE
- Staffing remains at FY20 levels and CBA provisions maintained

State of Good Repair Expenses

- Procurement of 200 CNG and 23 electric buses, along with Light Rail Vehicles and start delivery and testing of Heavy Rail Vehicles
- Bus and Rail Vehicle, Facilities, Wayside (track and signals) Maintenance
- NextGen related investments such as the improvements for Patsaouras Plaza, the Bus Pavilion at Union Station, and Rosa Parks Bus Station

Revenue Service Hours and NextGen Summary

	Base Enhanced Sunday Service	Phase 1 Orders Begin to Lift	Phase 2 Schools Back, Start of NextGen	Phase 3 FY21 Post-COVID	Phase 4* FY22 Building Back Service	Phase 5* FY23 Full Service Recovery
Revenue Service Hours (in millions)	FY20 April 2020	FY21 end of June 2020	FY21 Dec 2020	FY21 Jan - June 2021	FY22	FY23
Bus	5.0	5.6	5.6	5.6	5.6 - 6.5	5.6 - 7.1
Rail	1.0	1.0	1.0	1.0	1.1	1.1
Bus and Rail Total	6.0	6.6	6.6	6.6	6.7 - 7.6	6.7 - 8.2

- In FY21, service will gradually ramp up to 6.6 RSH by June 2021, and will continue to ramp up through FY22-FY23
- On an annual average, FY21 will operate 81% of the revenue service hours pre-COVID, but carry 55% of the boardings, based on factors such as staffing availability, equipment, performance, cost, and revenue for prudent financial management

Project Description (\$ in thousands)	FY21 Proposed	Life of Project
Service Enhancements		
Analysis and Outreach - Bus Priority Lanes	\$ 865	\$ 956
Implementation - Bus Priority Lanes	900	2,725
All Door Boarding Expansion	1,569	1,569
Bus Zone Optimization	2,400	8,250
Metro Rail Speed Analysis	766	1,000
Station Cleanliness & Evaluation	500	500
Service Enhancements Total	\$ 7,000	\$ 15,000
Other Improvements Benefiting NextGen Implementation		
Patsaouras Plaza Busway Station	\$ 3,000	\$ 49,000
Cesar Chavez/Vignes Bus Pavilion at Union Station	1,100	2,500
Willowbrook/Rosa Parks Station Bus Plaza	12,200	15,000
Airport Metro Connector Bus Plaza	75,000	75,000
G Line (Orange) BRT Improvements	20,400	361,000
North Hollywood to Pasadena BRT	5,700	267,000
North San Fernando Valley (NSFV) BRT	2,500	180,000
Vermont Avenue Transit Corridor	3,200	425,000
Other Improvements Total	\$ 123,100	\$ 1,374,500
Total NextGen Related Projects	\$ 130,100	\$ 1,389,500

Note: Totals may not add up because of rounding.

- NextGen Investments: Investing in and improving the Bus & Rail System to complement NextGen
 - FY21 NextGen related improvements value at \$130.1 million
 - NextGen service implementation and investments will improve speed and reliability, covering more service miles with less service hours

Transportation Infrastructure Development

Transit Expansion

Transit Expansion (\$ in millions)		FY20 Budget	FY21 Proposed	Difference
1	Measure R/M Transit Construction			
2	Westside Purple Line Extension Section 1	\$ 283.5	\$ 181.2	\$ (102.3)
3	Westside Purple Line Extension Section 2	312.3	121.5	(190.8)
4	Westside Purple Line Extension Section 3	457.3	223.2	(234.1)
5	Division 20 Portal Widening & Turnback	85.0	91.1	6.2
6	Westside Purple Line Extension Subtotal	\$ 1,138.0	\$ 617.0	\$ (521.0)
7	Regional Connector Light Rail Transit	\$ 220.2	\$ 144.5	\$ (75.7)
8	Crenshaw/LAX Light Rail Transit	224.5	111.7	(112.8)
9	Gold Line Foothill Extension Phase 2	156.2	101.5	(54.7)
10	East San Fernando Valley Light Rail Transit	35.4	16.2	(19.2)
11	Airport Metro Connector	68.8	80.3	11.6
12	Expo Light Rail Transit Close Out	3.0	1.9	(1.1)
13	Metro Orange Line Improvements	21.3	20.5	(0.9)
14	Systemwide	92.0	78.7	(13.3)
15	Business Interruption Fund	7.0	5.6	(1.4)
16	Measure R/M Transit Construction Total	\$ 1,966.4	\$ 1,177.9	\$ (788.6)
17	Measure R/M Transit Planning			
18	West Santa Ana Branch Transit Expansion	\$ 49.0	\$ 16.5	\$ (32.6)
19	Sepulveda Transit Corridor	8.2	13.3	5.1
20	Eastside Light Rail Access	9.0	6.5	(2.5)
21	North Hollywood / Pasadena BRT Connector	3.2	5.7	2.5
22	Eastside Light Rail Transit Extension Phase 2	9.2	4.0	(5.2)
23	San Gabriel Valley Transit Feasibility Study	-	1.5	1.5
24	Green Line Extension to Torrence	2.2	8.3	6.2
25	Vermont Transit Corridor	1.2	3.2	2.0
26	Crenshaw Northern Extension	2.0	2.8	0.8
27	North San Fernando Valley Bus Rapid Transit	3.4	2.5	(0.9)
28	Measure R/M Transit Planning Total	\$ 87.4	\$ 64.3	\$ (23.1)
29	Program Control & Support Total	\$ 11.9	\$ 14.0	\$ 2.1
30	Transit Expansion Grand Total	\$ 2,065.8	\$ 1,256.2	\$ (809.6)

- All Measure R and M construction TID projects advance towards their respective revenue service dates
- The Four Pillar projects – West Santa Ana Branch, Eastside Light Rail Extension Phase 2, Sepulveda Transit Corridor, and Green Line Extension to Torrance continue to advance towards shovel readiness
- San Gabriel Valley Transit Feasibility Study (\$1.5M)
- Planning efforts continue for current Measure M transit projects

Transportation Infrastructure Development Highway

Highway Program (\$ in millions)	FY20 Budget	FY21 Proposed	Difference
Measure R / M Highway Projects			
Alameda Corridor East Grade Separations Phase 2	\$ 30.0	\$ 50.1	\$ 20.1
Interstate 605 Corridor "Hot Spot" Improvements	45.7	19.8	(25.9)
Interstate 5 North Capacity Enhance SR-14 to Kern County Line	17.2	13.5	(3.6)
SR-57/SR-60 Interchange Improvements	23.4	6.9	(16.5)
Interstate 405, I-110, I-105, and SR-91 Ramp and Interchange Imp (South Bay)	20.7	20.6	(0.1)
Countywide Sound Wall Assessment & Constructions	25.8	15.4	(10.4)
Interstate 5 Capacity Enhancement from SR-134 to SR-170	21.9	15.3	(6.6)
State Route 138 Capacity Enhancements	27.6	15.6	(12.0)
Interstate 5 Capacity Enhancement from I-605 to Orange County Line	25.6	15.0	(10.6)
SR-710 North Corridor Mobility Improvements	0.8	8.3	7.5
Interstate 710 South and/or Early Action Projects	31.6	17.1	(14.4)
Interstate 105 Express Lanes	2.5	2.9	0.4
Interstate 405 Sepulveda Express Lanes	2.3	2.0	(0.4)
Highway Operational Improvements in Las Virgenes/Malibu Subregion	15.2	9.8	(5.3)
Highway Operational Improvements in Arroyo Verdugo Subregion	13.7	7.8	(5.9)
Interstate 5 / St. Route 14 Capacity Enhancement	1.5	1.5	0.0
Interstate 5 Corridor Improvements (I-605 to I-710)	0.5	0.0	(0.5)
Highway Efficiency Program	1.6	0.9	(0.7)
Transportation System and Mobility Improvement Program	1.5	16.2	14.7
Highway Demand Based Prog and Operational Improvements	1.6	0.4	(1.2)
High Desert Corridor (highway department activities)	1.5	0.6	(1.0)
Measure R / M Highway Projects Total	\$ 312.2	\$ 239.8	\$ (72.4)
Non-Measure R / M Highway Projects			
Interstate 210 Barrier Replacement	\$ 7.9	\$ 2.4	\$ (5.5)
Highway Planning & Admin	4.2	2.6	(1.7)
Caltrans Property Maintenance	3.5	1.3	(2.2)
Interstate 405 Car Pool Lane	0.8	0.2	(0.6)
Non-Measure R / M Highway Projects Total	\$ 16.4	\$ 6.5	\$ (10.0)
Highway Program Grand Total	\$ 328.6	\$ 246.3	\$ (82.3)

- Interstate-5 North Capacity Enhancement advances towards construction with contract solicitation starting in FY21
- Planning efforts continue for all highway projects

Continue support for Caltrans delivery of major Highway Program projects including:

- SR138 Capacity Enhancements
- I-5 Capacity Enhancements from SR-134 to SR-170
- South Bay Improvements and Gateway Cities Improvements including I-605 Hot Spots
- I-710 Early Action projects
- I-5 South projects to the Orange County Line
- Highway Operational Improvements in Arroyo Verdugo and in Las Virgenes / Malibu subregions
- Alameda Corridor East Phase 2 projects.

Other Metro Programs

Program Type (\$ in millions)	FY20 Budget	FY21 Proposed	\$ Change	% Change
1 Subsidy Program	\$ 1,404.7	\$ 1,239.2	\$ (165.5)	-11.8%
2 Regional Rail	\$ 178.2	\$ 219.5	\$ 41.3	23.2%
3 Congestion Management	\$ 135.9	\$ 89.6	\$ (46.3)	-34.0%
4 General Planning & Programs	\$ 168.9	\$ 155.1	\$ (13.8)	-8.2%
5 Debt Service	\$ 534.9	\$ 509.2	\$ (25.8)	-4.8%
6 Oversight and Admin	\$ 71.2	\$ 62.6	\$ (8.6)	-12.1%
7 TID and Metro Transit	\$ 4,715.0	\$ 3,742.1	\$ (972.9)	-20.6%
8 Total Expenses	\$ 7,208.8	\$ 6,017.3	\$ (1,191.5)	-16.5%

- **Subsidy** - Transit funding to operators and cities continue regionally, with CARES funds mitigating declines
- **Regional Rail** - Link US property acquisitions, Rosecrans / Marquardt Grade Separation and Metrolink's fare revenue replacement
- **Congestion Management** - Reduction in ExpressLanes demand and usage along with removal of duplicate vendor
- **General Planning** - Projects are evaluated to continue at regular or adjusted speed including West Santa Ana Branch, Sepulveda Transit Corridor, Centinela Grade Separation, Rail to Rail/River and LA River Bike Path
- **Debt Service** - Primarily due to repayment schedule structure at the time of the original bond issuance.
- **Oversight and Admin** – Cost controls result in 3% of total budget while continuing to invest in agency priorities such as equity, sustainability and climate action initiatives and projects

FY21 Budget Outreach

Comments received as of 9/10/20



[Metro.net/myvoice](https://metro.net/myvoice)

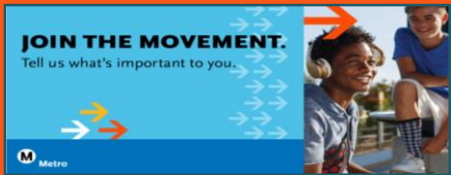
-Emails (>400,000)

-Visits (>8,000)



Budgetcomments@metro.net

-Email comments (83)



[Questionnaire](#)

-Responses (4,217)

-Comments (1,644)

[Virtual Meetings \(>20\)](#)



- Regional Service Councils
- San Gabriel Valley COG
- Gateway Cities COG
- Valley Industry Commerce Association (VICA)
- Bus Operator Subcommittee (BOS)
- Streets & Freeways Committee
- Technical Advisory Committee (TAC)
- Policy Advisory Committee (PAC)
- Local Transit Services Subcommittee (LTSS) Citizens Advisory Council (CAC)
- Measure M Oversight Committee
- Metro Budget Public Hearing



[Summary of Comments – Top Transit Priorities](#)

- **Better Transit** - “Expand Rail Network” and “Increased Safety”
- **Less Congestion** - “Dedicated Bus Lanes” and “Traffic Reduction Pilot”
- **Complete Streets** - “Improve Pedestrian Crossing”
- **Access to Opportunity** - “High Density Developments Around Transit” and “Easier Reduced Fare Program” & “Better Mobile and Web experience”

FY21 Proposed Budget Risks

- This budget assumes a gradual and immediate recovery beginning in September, with a full recovery anticipated in June 2021.
- Further declines in sales tax revenues from the current estimate as a result of prolonged impact of the ongoing COVID-19 pandemic, uncertainty of when consumer spending return to pre-COVID levels.
- Costs that rise faster than the inflation factor built into the budget for goods/services used to deliver Metro's projects and services.
- Uncertainty regarding public willingness to return to public transit post-COVID.
- Changes in Metro's share of federal and state funding that is dependent on legislative or other actions.
- Unanticipated mobility initiatives added post Budget adoption.

Next Steps

- Final Board Adoption expected on **September 24th**
 - Board Adoption is legally required
- Mid-Year Budget Update (if needed) – December/January TBD
 - Review of the Sales Tax and Other Revenues, based on duration of pandemic
 - Review of delivery and expenditure on projects and programs and adjustments on a case by case basis
 - Opportunity of additional funding and competitiveness of our projects
- Performance Monitoring
 - Report back to the board regularly regarding financial performance throughout FY21

September Board Report FY21 Budget Adoption

- A. ADOPTING** the proposed FY21 Budget as presented in the budget document (provided in a separate transmittal and posted on metro.net);
- 1. AUTHORIZING** \$6.0 billion annual consolidated expenditures to achieve goals and objectives set forth by the Board adopted Metro Vision 2028 strategic plan; and
 - 2. AUTHORIZING** a total of 10,219 FTEs with 8,482 Represented FTEs and 1,737 Non-Represented FTEs which did not change from FY20 authorized levels; and
 - 3. APPROVING** the Life of Project (LOP) budgets for new capital projects with LOP exceeding \$5 million presented in Attachment A; and
 - 4. AMENDING** the proposed budget to include \$165.2 million for Gold Line Foothill Extension 2B for a total of \$265.2 million, finalized after budget closed; and
- B. APPROVING** the Reimbursement Resolution declaring Metro's intention to issue debt in FY21 for capital projects, as shown in Attachment B, with the provision that actual debt issuance will require separate Board approval.