

### Metro Transit: Operations & Maintenance and State of Good Repair

Metro Transit Program reflects the resources required to operate and maintain bus, rail services, and ensures that critical infrastructure remains in a state of good repair. The program is made up of two budget components: Operations and Maintenance (O&M) and State of Good Repair (SGR).

Metro Transit Expenses (\$ in millions)		FY20 Budget	FY21 Preliminary	\$ Change	% Change	% of Total
<b>Metro Transit Operations &amp; Maintenance (O&amp;M)</b>						
<b>Metro Transit - Operations</b>	Bus	\$ 1,291.7	\$ 1,271.8	\$ (19.9)	-2%	56%
	Rail	\$ 547.4	\$ 526.8	\$ (20.5)	-4%	23%
<b>Total O&amp;M</b>		<b>\$ 1,839.1</b>	<b>\$ 1,798.6</b>	<b>\$ (40.4)</b>	<b>-2%</b>	<b>80%</b>
<b>Metro Transit State of Good Repair (SGR)</b>						
<b>Metro Transit - SGR</b>		<b>\$ 493.5</b>	<b>\$ 457.0</b>	<b>\$ (36.5)</b>	<b>-7%</b>	<b>20%</b>
<b>Total Metro Transit (SGR and O&amp;M)</b>		<b>\$ 2,332.6</b>	<b>\$ 2,255.6</b>	<b>\$ (77.0)</b>	<b>-3%</b>	<b>100%</b>

Metro Transit Preliminary Budget is estimated to be \$2.3 billion, with \$1.8 billion allocated to Bus and Rail Operations and Maintenance (O&M) and \$457 million allocated to Bus and Rail State of Good Repair (SGR). This represents \$77 million (3%) reduction from the FY20 Budget.

#### Metro Transit-Operations & Maintenance

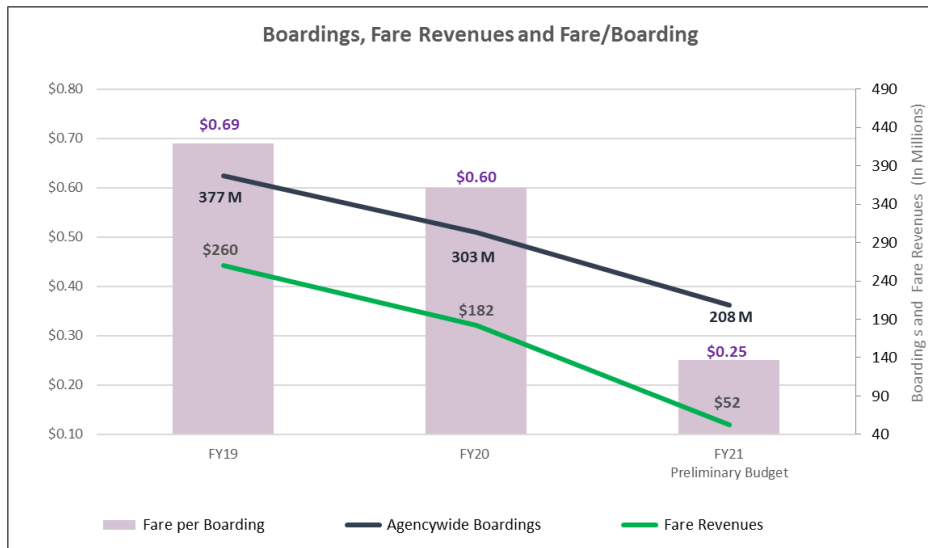
FY21 O&M Preliminary Budget is built on planned bus and rail service, maintenance needs, and system support. The preliminary budget is a direct result of service levels and cost control. In the 4<sup>th</sup> quarter of FY20, bus and rail services were modified to reflect an “enhanced Sunday service” model with more frequency and service hours added to major corridors based on plummeting ridership and revenue impact of the Safe-at-Home order. Boarding demand and sustainable resources drive the service level proposal to support recovery.

#### Boarding and Fare Revenue

Development of the preliminary boarding forecast is challenging given the uncertainty created by the pandemic. Timing of the economic and ridership recovery are difficult to predict. Using current actual weekday boarding of 560,000 as a base, adjusted for estimating methodologies used by other transit agencies, ridership is assumed to remain constant for the first and second quarter of FY21, and gradually ramp up in the third and fourth quarter. Annual boarding is projected to be 208 million for FY21, a 45% decline from FY20.

Fare revenue is the calculated result of total boarding and fare collected per boarding. Based on the actual system-wide fare per boarding currently being experienced, the preliminary budget assumes fare per boarding starts at \$0.10/boarding in the first quarter and increases to \$0.25 annual average by the fourth quarter of FY21 as front door boarding starts in Q3. Together with the assumed ridership recovery, FY21 Preliminary Budget includes \$52 million fare revenue from bus and rail operations. In comparison, FY19, the last fiscal year without COVID impact, the fare was \$260 million, a drop of 80%.

The graph below reflects actual boardings, fare per boarding and fare revenues for FY19 and FY20, as well as a high-level estimate for FY21 Preliminary Budget.



### Bus and Rail Service Levels

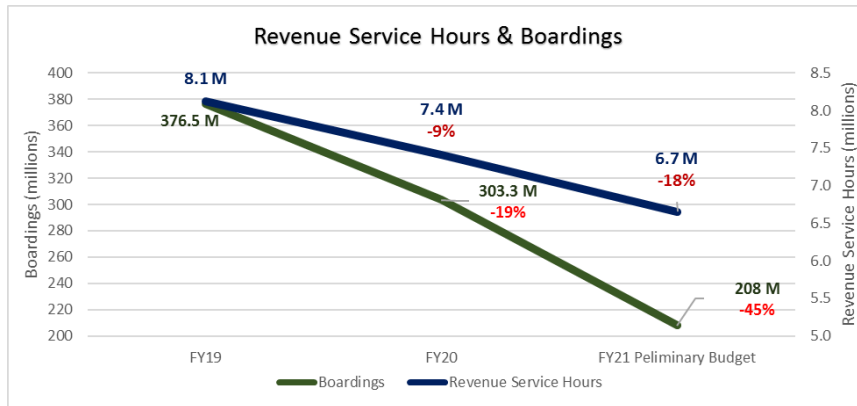
The FY21 proposed service plan is not in direct proportion to boarding decline. The service level anticipates a projected phased-in ridership recovery. Consider and allow for the flexibility and new initiatives to accommodate changing demands, service options, NextGen principles, Microtransit alternatives and economic indicators. The preliminary budget then adjusts for operator staffing availability during the pandemic. Operator runs are re-cut to timely adjust to ridership and safety needs. The preliminary proposed service level results in 6.65 million revenue service hours for Bus and Rail service combined, which is 19% less than FY20 Budget Pre-COVID level.

#### Revenue Service Hours

Mode	FY20 Adopted	FY21 Proposed	Change from FY20	% Change
<b>Bus</b>				
Local & Rapid	6,307,605	5,122,039	(1,185,566)	-18.8%
Silver Line	144,209	83,680	(60,529)	-42.0%
Orange Line	128,324	78,450	(49,874)	-38.9%
Purchased Transportation	514,238	372,768	(141,470)	-27.5%
<b>Subtotal Bus</b>	<b>7,094,376</b>	<b>5,656,937</b>	<b>(1,437,440)</b>	<b>-20.3%</b>
<b>Rail</b>				
Blue Line	203,944	199,894	(4,050)	-2.0%
Green Line	126,849	103,378	(23,471)	-18.5%
Gold Line	263,149	210,866	(52,284)	-19.9%
Expo Line	231,610	185,968	(45,643)	-19.7%
Red Line	309,401	293,696	(15,705)	-5.1%
<b>Subtotal Rail</b>	<b>1,134,953</b>	<b>993,801</b>	<b>(141,152)</b>	<b>-12.4%</b>
<b>Total</b>	<b>8,229,329</b>	<b>6,650,738</b>	<b>(1,578,591)</b>	<b>-19.2%</b>

The green line in the graph below reflects boarding; the blue line reflects revenue service hours (RSH). Boardings are expected to decline by about 45% compared to FY19, however, proposed

service level is 18% less than the service delivered in FY19.



## Operations and Maintenance Expenses

### Bus and Rail Operations and Maintenance Expenses

Operations (\$ in millions)	FY20 Budget	FY21 Preliminary Budget	\$ Change	% Change	% of Total
Labor & Fringe	\$ 1,072.5	\$ 1,123.6	\$ 51.2	5%	62%
Labor - Overtime	95.5	55.7	(39.8)	-42%	4%
Parts & Supplies	97.1	80.1	(17.0)	-17%	4%
Fuel / Propulsion	60.6	44.7	(15.9)	-26%	2%
Other Operating Expenses	167.0	182.4	15.5	9%	10%
Contract / Professional Service	285.4	262.1	(23.4)	-8%	15%
Purchased Transportation	61.0	50.0	(11.0)	-18%	3%
<b>Grand Total</b>	<b>\$ 1,839.1</b>	<b>\$ 1,798.6</b>	<b>\$ (40.4)</b>	<b>-2%</b>	<b>100%</b>

The Bus and Rail Operations and Maintenance budget is modeled by projected unit cost of service, service level, and fixed costs needed to manage and maintain the system and infrastructure. Labor and fringe benefits make up 62% of the total budget. The remaining resources are for expenses including fuel and electricity needed to run vehicles, parts and supplies to properly maintain vehicles, items needed to clean and disinfect stations and facilities, and deployment of security staff on the system.

The FY 21 Preliminary Budget is estimated to be \$1.799 billion, reflecting a modest \$40.4 million (2 percent) decrease from FY20.

One major theme of budget development is job preservation and maintaining the commitment to continue adhering to negotiated labor contract provisions. Although the proposed service level is about 19.2% less than FY20 Budget, staff is being maintained and a new approach is underway to re-cut Bus/Rail Operator runs and adjust maintenance activities to optimize staff deployment and significantly reduce overtime expenses. Alternative approaches to service, such as Microtransit and continuing NextGen principles will be put in place using existing authorized labor/FTE and improved service productivity.

The major changes for FY21 are related to labor, overtime, fringe benefits, service-related consumables, and subcontracted bus lines. There is a 5% increase in labor and fringe benefits due to a negotiated wage and benefit increase; however, new approaches will decrease

overtime expenses by 42%. This will significantly offset these costs. Other cost elements of fuel, rail electricity, part/supplies, and subcontracted lines (Purchased Transportation) are all reduced based on a projected 1.579 million decrease revenue service hours.

## Metro Transit-State of Good Repair

Metro State of Good Repair					
(\$ in Millions)					
SGR Category	FY20 Budget	FY21 Preliminary	Year Over Year \$ Change	Year Over Year % Change	% of Total SGR Budget
1 Bus Acquisition	\$ 130.9	\$ 208.7	\$ 77.8	59.5%	45.7%
2 Bus Facilities Improvements	9.3	15.6	6.2	66.9%	3.4%
3 Bus Maintenance	48.8	33.7	(15.0)	-30.8%	7.4%
<b>4 Bus Subtotal</b>	<b>\$ 189.0</b>	<b>\$ 258.0</b>	<b>\$ 69.0</b>	<b>36.5%</b>	<b>56.5%</b>
6 Rail Fleet Procurement	120.7	73.8	(46.8)	-38.8%	16.2%
7 Rail Vehicle Maintenance	44.5	45.7	1.2	2.6%	10.0%
5 Rail Facilities Improvements	19.2	7.6	(11.5)	-60.1%	1.7%
8 Wayside Systems	83.9	38.7	(45.2)	-53.9%	8.5%
<b>9 Rail Subtotal</b>	<b>\$ 268.3</b>	<b>\$ 165.9</b>	<b>\$ (102.4)</b>	<b>-38.2%</b>	<b>36.3%</b>
10 Regional and Hubs	16.6	12.6	(4.0)	-24.0%	2.8%
11 Technology	18.5	17.2	(1.3)	-6.9%	3.8%
12 Non-revenue & Other SGR	1.2	3.2	2.1	173.2%	0.7%
<b>13 Other Subtotal</b>	<b>\$ 36.3</b>	<b>\$ 33.1</b>	<b>\$ (3.2)</b>	<b>-8.8%</b>	<b>7.2%</b>
<b>14 Total Proposed SGR Budget</b>	<b>\$ 493.5</b>	<b>\$ 457.0</b>	<b>\$ (36.5)</b>	<b>-7.4%</b>	

The Agency's State of Good Repair (SGR) program focuses on maintaining its fleet, rail lines, transit stations, facilities, information systems and peripheral infrastructure to ensure delivery of safe, reliable, and high-quality transit services. The preliminary \$457.0 million estimate is a reduction of \$36.5 million, a 7.4% decrease from FY20. It is based on planned project activities and reflects the cash flow required to complete FY21 milestones and deliverables.

The reductions in SGR are primarily the result of scheduled project close-outs, as Light Rail Vehicle (LRV) deliveries conclude, and New Blue wraps up. Cost mitigation measures were implemented to account for lower projected revenues, while maintaining safe, reliable service, and high-quality transit services. Operations staff has worked diligently with contractors and vendors to adjust procurement and vehicle delivery schedules, and contract terms for buses, rail cars, and midlife programs, allowing for the preservation of essential funds for the coming year. A significant number of new proposed projects has been rescheduled to FY22 except for a new project for fire protection in the Metro B (Red) Line. Numerous other support projects have been slowed 3 to 6 months to accommodate budget constraints.