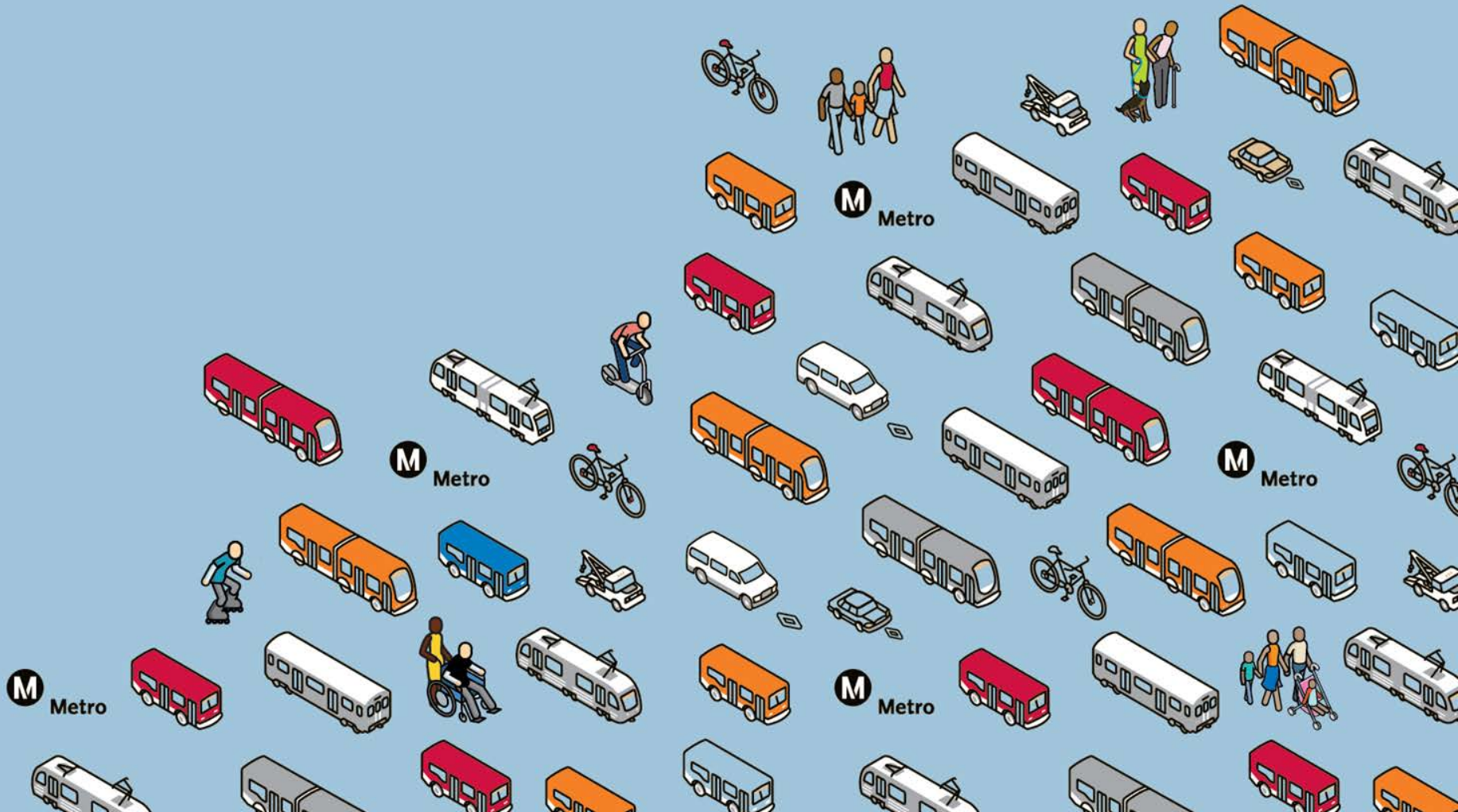


Short Range Financial Forecast

As of August 2018



Overview

- Metro maintains a 40-year LRTP Financial Forecast that is updated each year
- The Financial Forecast:
 - is a projection of all Metro capital and operating costs
 - identifies fund assignments, or how we plan to allocate Metro's funds among projects and programs



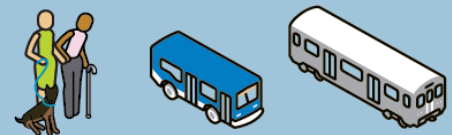
Short Range Financial Forecast

- In September 2018, we propose that a 10-Year “Short Range Financial Forecast” be submitted to the Board.
 - A subset of the 40-year forecast
 - Cash flows and financial tables of Metro projects and programs
 - Serves as a benchmark for related funding actions (e.g., state and federal programs, discretionary grant applications, project acceleration proposals)



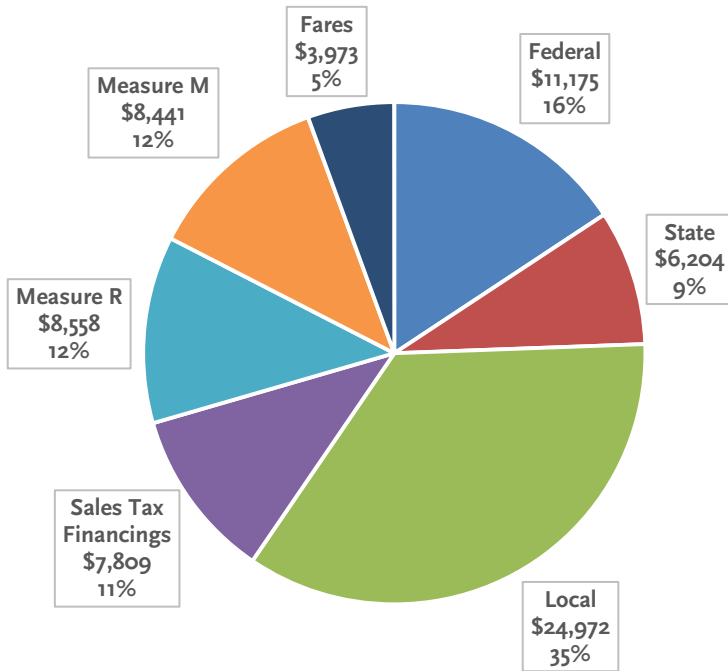
Funding Requirements

- The financial forecast includes **Board-approved** spending
 - Sales tax ordinance Expenditure Plans and schedules
 - adopted transportation plans (LRTP and SRTP)
 - separate Board action (e.g., contract awards, “life of project” budgets)
 - adopted FY19 budget
- Bus and rail operations as projected by Metro staff
- Therefore, no accelerated project schedules included

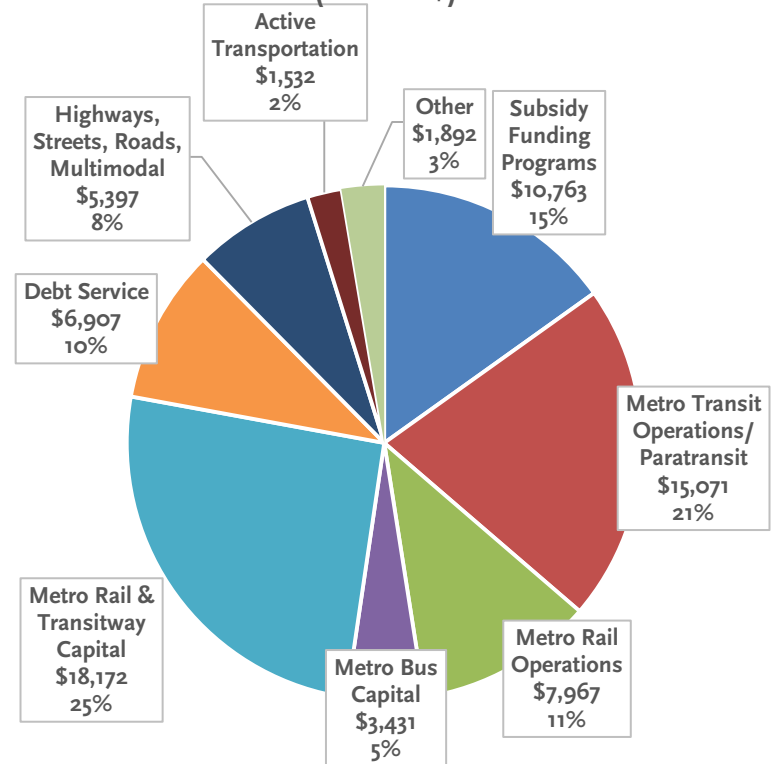


Funding and Uses (10-year) - \$71B Total

Metro-Controlled Revenues FY 2019 - FY 2028 (millions\$)



Metro-Controlled Expenditures FY 2019 - FY 2028 (millions\$)



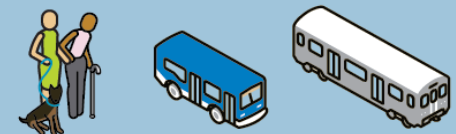
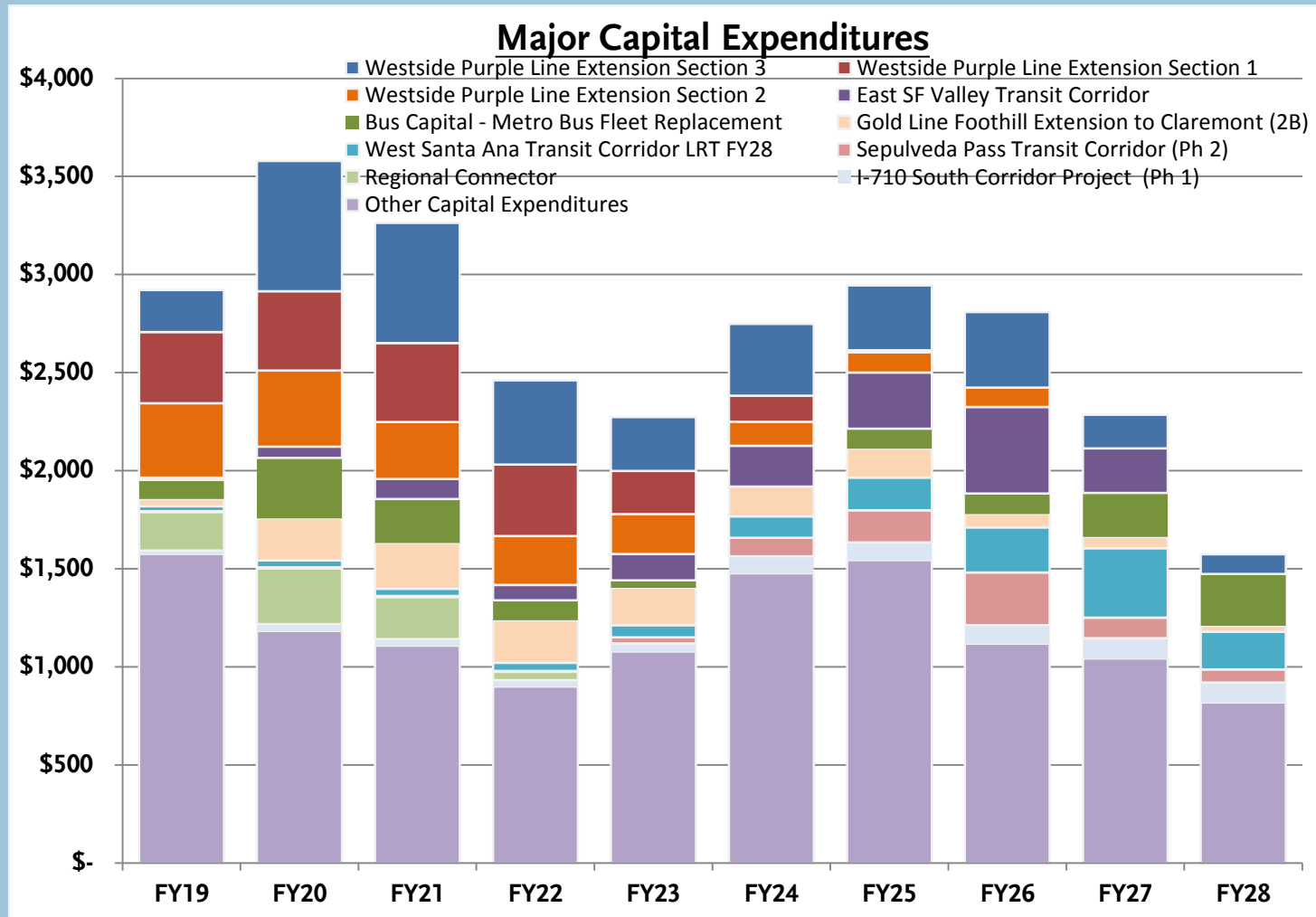
Estimated Revenue (Major Sources)

Local
Prop A
Prop C
Measure R
Measure M
TDA
State Transit Assistance
State Transit Assistance SB1
Fares
Tolls
Advertising
Property Leases

State/Federal – Formula
Section 5307
CMAQ
STBGP
RIP
Section 5337
SB1 Local Partnership
State/Federal – Discretionary
FTA New Starts
TIRCP
SB1 Trade Corridors
SB1 Congested Corridors

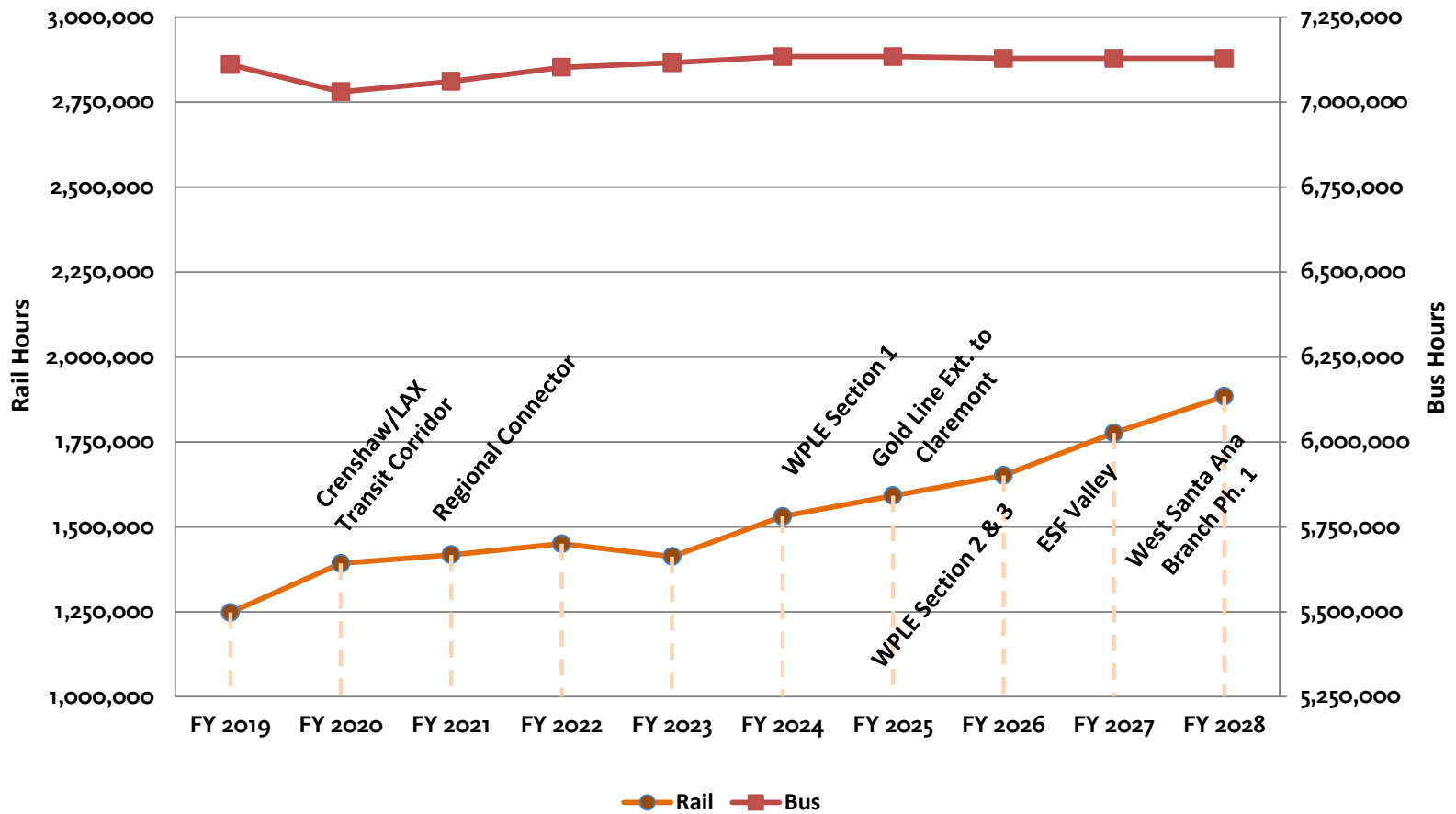
SRFF Capital Projects and Programs

- Funding for \$26.9 billion of new infrastructure (10-year window)
 - Transit
 - State of Good Repair
 - Highways
 - Subsidies
- Twenty-seven projects in planning
- Debt service is separate



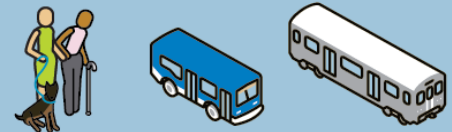
Bus and Rail Operations Fund Drivers

Revenue Service Hours

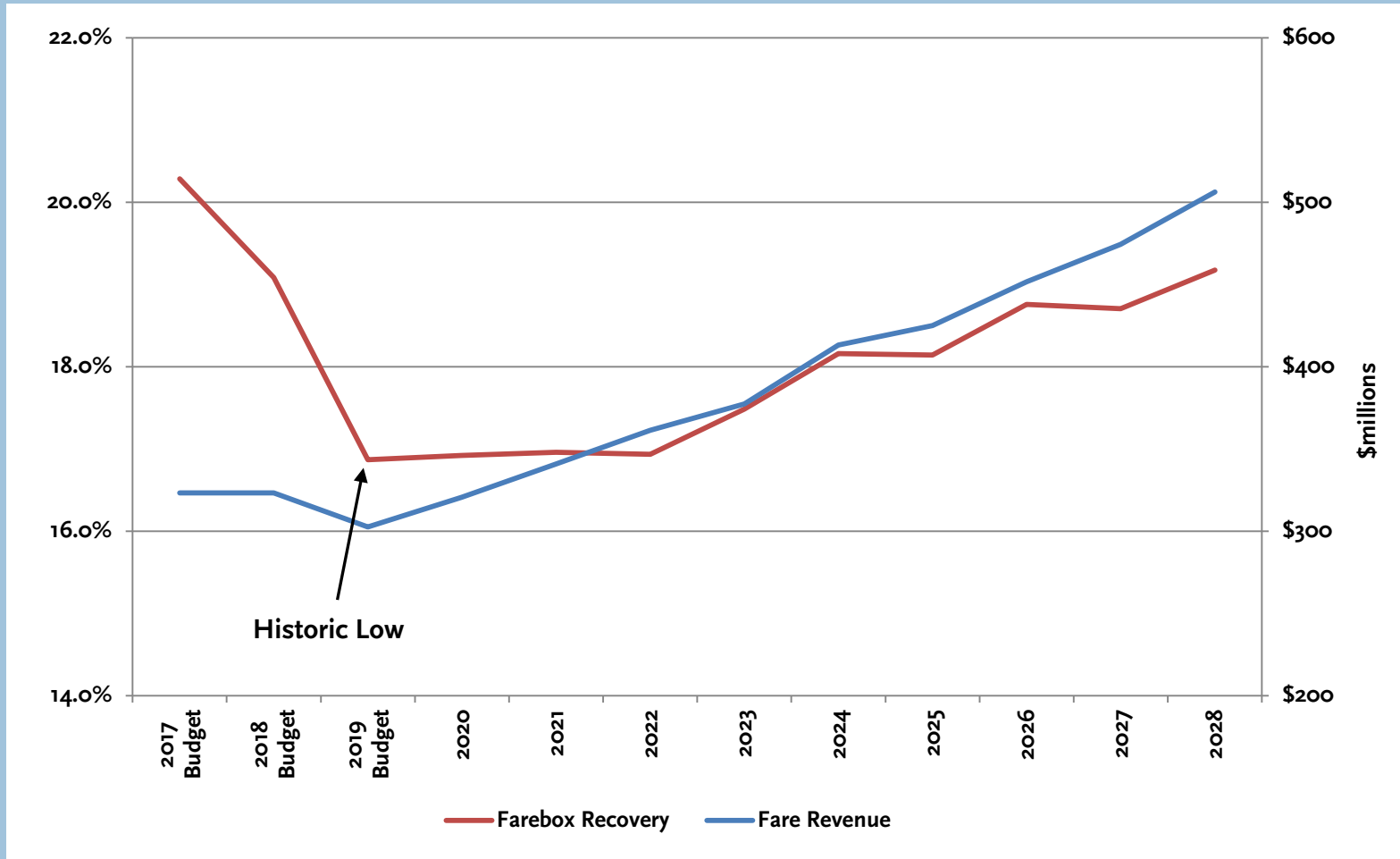


Current Financial Outlook

- Continued strong economy and related sales tax receipts
- Increased spending on bus and rail service
- Capital projects advanced or requested as a new commitment
- Grant funding from Metro's State and federal partners yet to be awarded
- Potentially higher than expected project costs

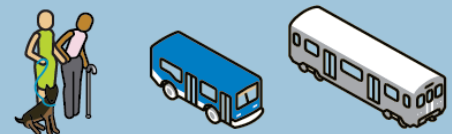


Fares and Farebox Recovery



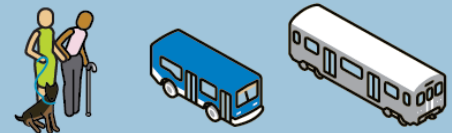
Potential New Projects and Costs

- Not included are projects that are currently under evaluation (partial list)
 - Re-scoped Division 20 turnback facility
 - Electrification of bus system
 - Link US Phase 4
 - Additional Tier 1 Express Lanes
 - Rail Operations Center (ROC) expansion
 - I-210 Median Barrier
- If approved by the Board, these projects must be accommodated into the 10-year revenue envelope



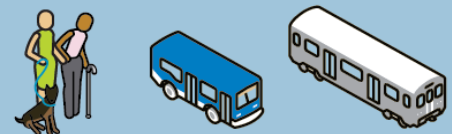
Project Acceleration Impacts

- Not included are accelerated project schedules
- 28 by 2028 “aspirational” schedule requires advancing \$24B in capital expenses over Measure M schedule
 - Accelerating operating and maintenance costs would be an additional draw on revenues
- Other acceleration requests have been proposed
- Board-adopted Early Project Delivery Strategy requires financial assessment of any acceleration



State and Federal Grant Funding Exposure

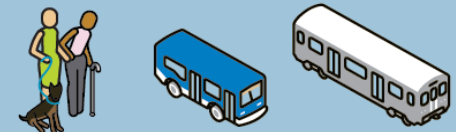
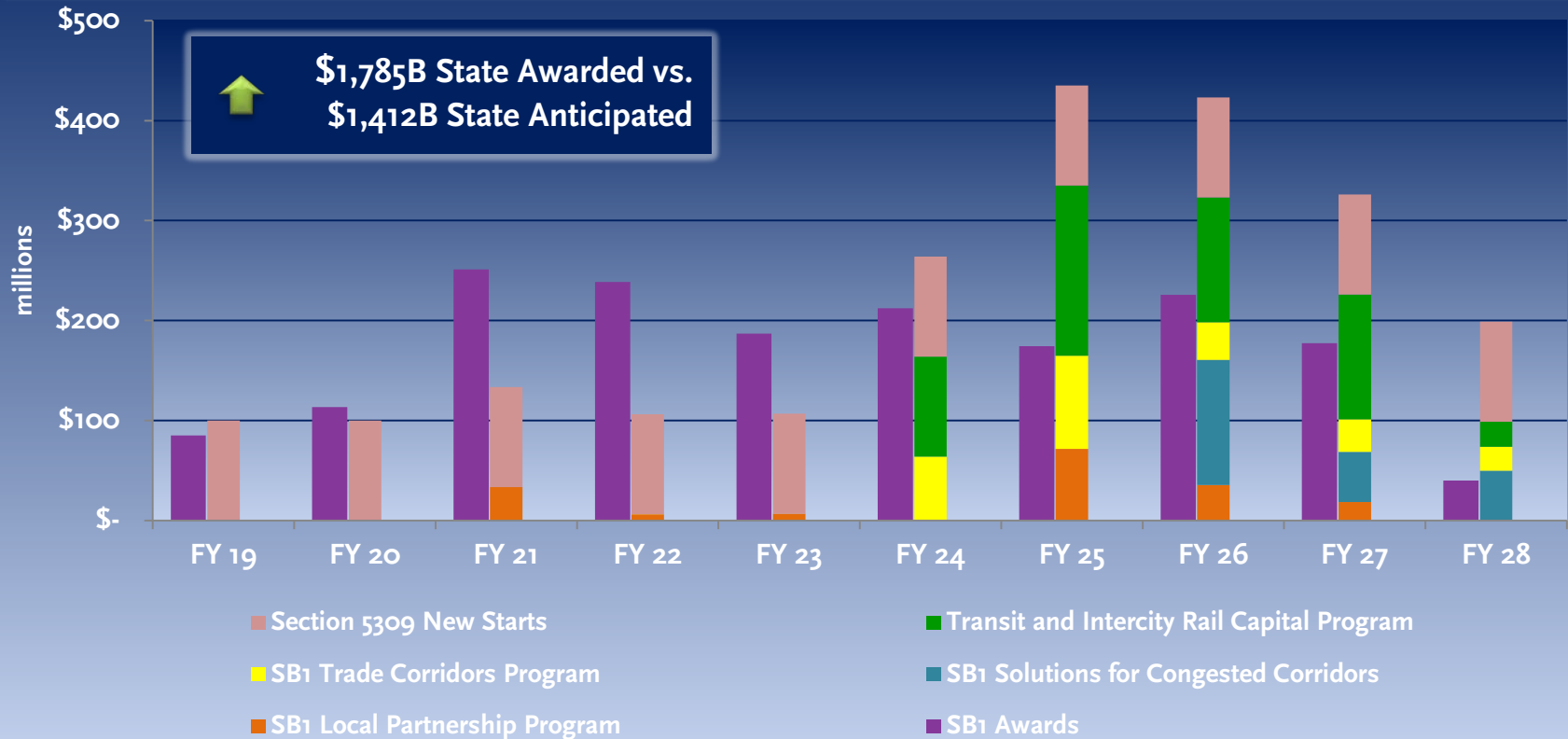
- The Short Range Financial Forecast includes 2018 State grant awards for Metro projects
- Ongoing receipts are assumed over the next 10 years, despite facing a tenuous grant funding environment
- Metro continues to be at-risk from loss of planned SB1 and Federal New Starts funding (if current legislative authorizations are fundamentally changed)
 - SB1 repeal effort
 - Uncertain federal funding policies



Estimated Future Grant Funding

LA Metro Anticipated Grants

SB1 Discretionary & New Starts



Risk Assessment

- If sales tax falls \$1.8 billion over the next 10 years, 10 capital projects could be delayed up to 3 years
- A strong economy can put upward cost pressures on projects, e.g. higher bid prices
- If ridership or fare revenue does not improve and costs increase moderately, Metro's operating subsidy from sales tax will increase by \$1.0 billion



Risk Assessment (cont.)

- Metro's current capital rehabilitation and replacement backlog grows over the 10-year period from \$2.1 billion to \$2.7 billion
- If SB-1 grants are repealed in FY 2019, Metro will forego \$4.9 billion in capital funding over the next 10 years, delaying the delivery of 10 to 12 major projects by 3 to 5 years

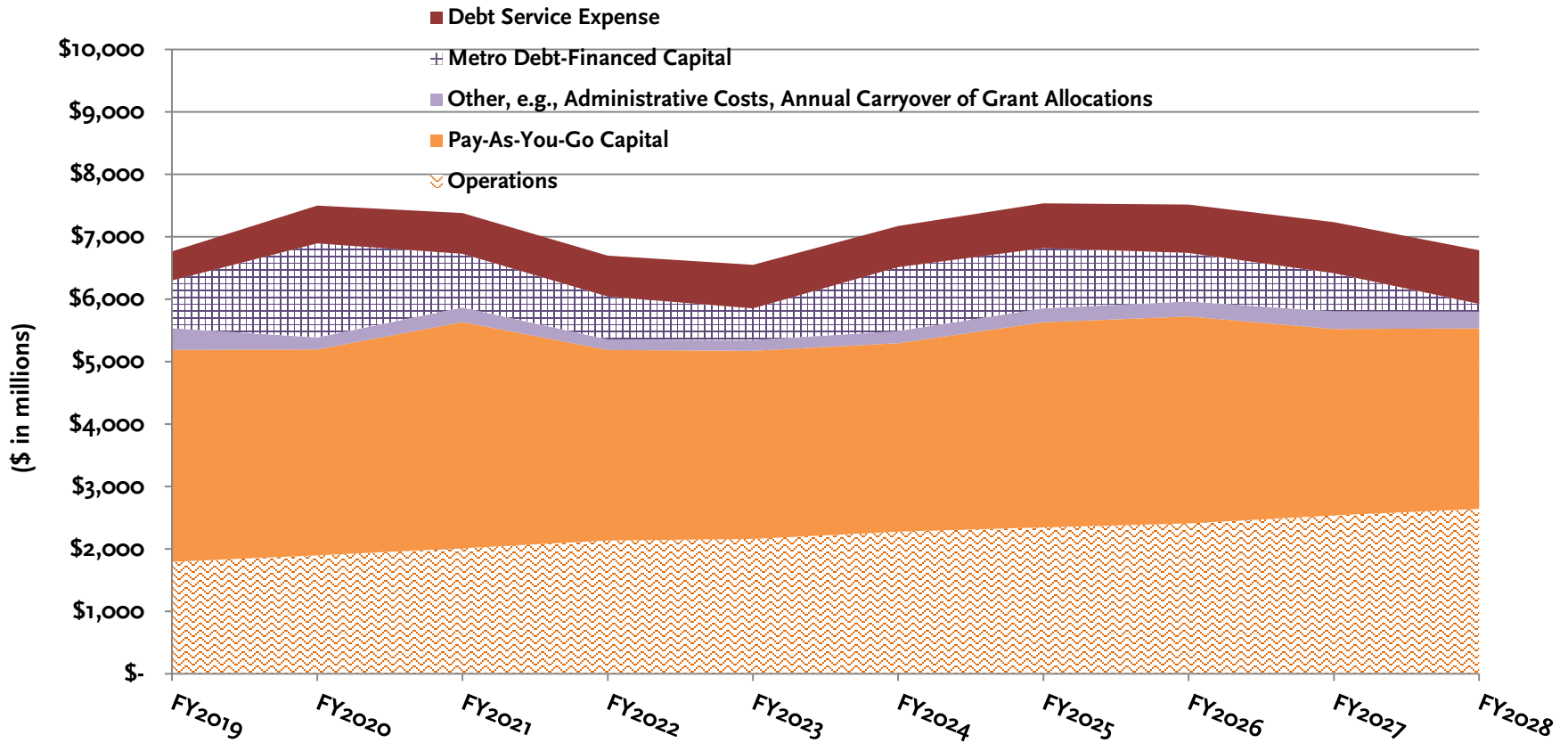


Baseline Funding Capacity Takeaway

- All Measure R and M commitments can be fulfilled under baseline assumptions
- However, any addition of new projects or acceleration of existing projects or programs will require one or more of the following trade-offs:
 - Additional debt financing
 - Cost offsets through innovations, scope changes, or delivery efficiencies
 - Reassessment of investment priorities
 - New, unanticipated revenues



SRFF Baseline Expenditure Forecast



Summary

- The 10-Year “Short Range Financial Forecast” provides the basis for investment priorities
 - Updated annually
 - Ensures financial transparency required by Measure M
- SRFF will assign funds to specific Metro projects and programs
 - Assignments will be re-affirmed or adjusted via annual update