ATTACHMENT A
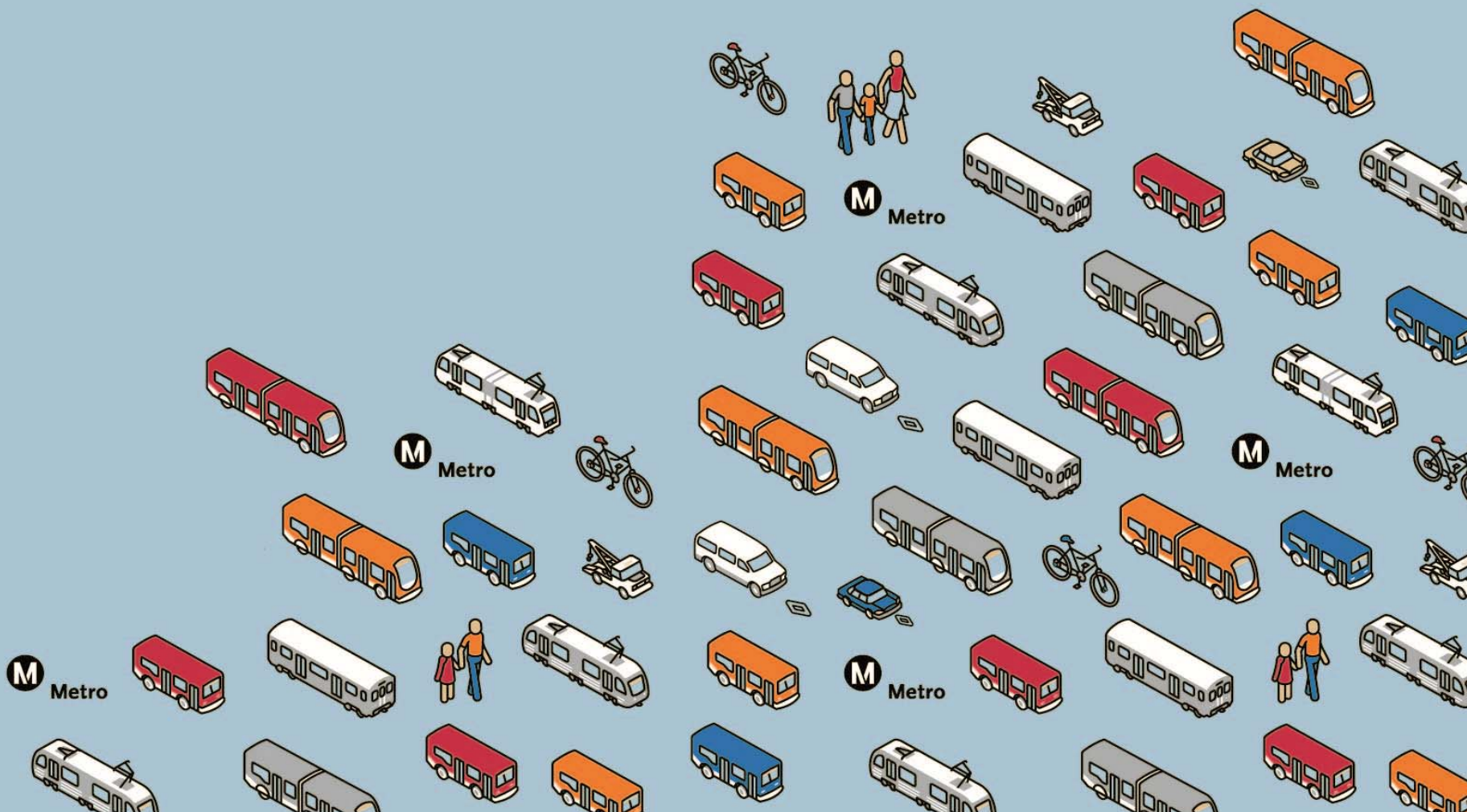# Long Range Transportation Plan

2017 Update – The Baseline Financial Forecast Details

Purpose of the LRTP Financial Forecast

- ## Metro's long range financial outlook
  - Guides LRTP development of long range investment plan for operation of transportation system and capital projects
  - Prepared in accordance with sales tax ordinances and Board policies and guidelines

- ## Supports Transportation Improvement Program and Long Range Transportation Plan (LRTP)
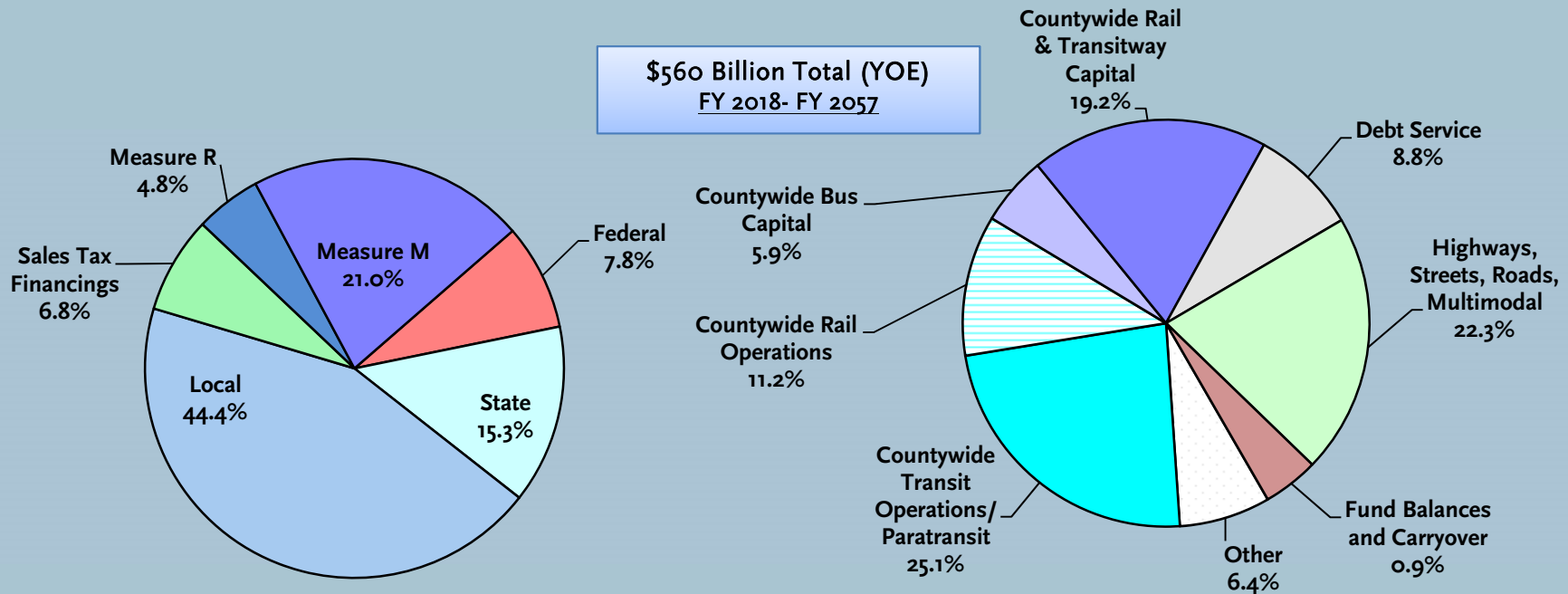
LRTP Financial Baseline

- **This Financial Forecast provides the financial baseline for the LRTP Update**

- **Baseline refers to Metro's current and known future operations, maintenance, and capital financial commitments**

  – Assumes these to be the priority investments for projected financial capacity

- **Allows Metro to evaluate different assumptions regarding investment priorities, and subsequent impact on financial capacity**

Funding and Uses (40-year) - $560B Total

Countywide Revenues FY 2018 – FY 2057

Countywide Expenditures FY 2018 – FY 2057

$560 Billion Total (YOE)
FY 2018- FY 2057

Countywide Revenues pie chart:
- Measure R 4.8%
- Measure M 21.0%
- Federal 7.8%
- Sales Tax Financings 6.8%
- Local 44.4%
- State 15.3%

Countywide Expenditures pie chart:
- Countywide Rail & Transitway Capital 19.2%
- Debt Service 8.8%
- Countywide Bus Capital 5.9%
- Highways, Streets, Roads, Multimodal 22.3%
- Countywide Rail Operations 11.2%
- Countywide Transit Operations/Paratransit 25.1%
- Other 6.4%
- Fund Balances and Carryover 0.9%

- Major Transit and Highway Capital Projects
- Capital Funding Programs
- Bus and Rail Revenue Service Hours
- State of Good Repair
- Metro Administrative Support

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2017 Financial Baseline Key Assumptions

- **Fully fund the following priorities:**
  - **Operations**
  - **State of Good Repair (SGR) Needs**
  - **Prior Commitments (Measures R & M)**
- **Debt Issued to Support Cash flow for Existing Commitments**

2017 Financial Snapshot: First 10 Years

- **Over the next 10 years, funding appears sufficient to meet estimated system-wide operating and capital costs (on planned schedule)**
  - **Lowered aggregate sales tax forecast due to slowing economic activity**
  - **Board-approved adjustments of $2.4 billion – cost increases and new projects are addressed**
  - **Recent increase in State fuel taxes (SB1) will help offset lower local revenue and higher costs**
  - **Federal funding assumptions are relatively unchanged**

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Board-Approved Adjustments Added to Baseline Expenditures (since June 2016 update)

Category	Amount (millions)
1) Addition of Sub-regional Equity Program	$1,196.0
2) Cost adjustments based on approved LOPs (aggregate)	428.7
3) New projects/Other (e.g., North San Fernando Valley BRT, Westside Purple Line Ext.3)	759.1
Total	$2,383.8

Potential Projects & Costs

- **The financial baseline does <u>not</u> include costs or funding for potential large-scale projects that are currently under evaluation as first 10-year investments (partial list)**
    - **Electrification of bus system**
    - **Link US redesign of Union Station**
    - **Wye improvements to Blue and Expo lines**
    - **Centinela Grade Separation**
    - **Additional Tier 1 Express Lanes**
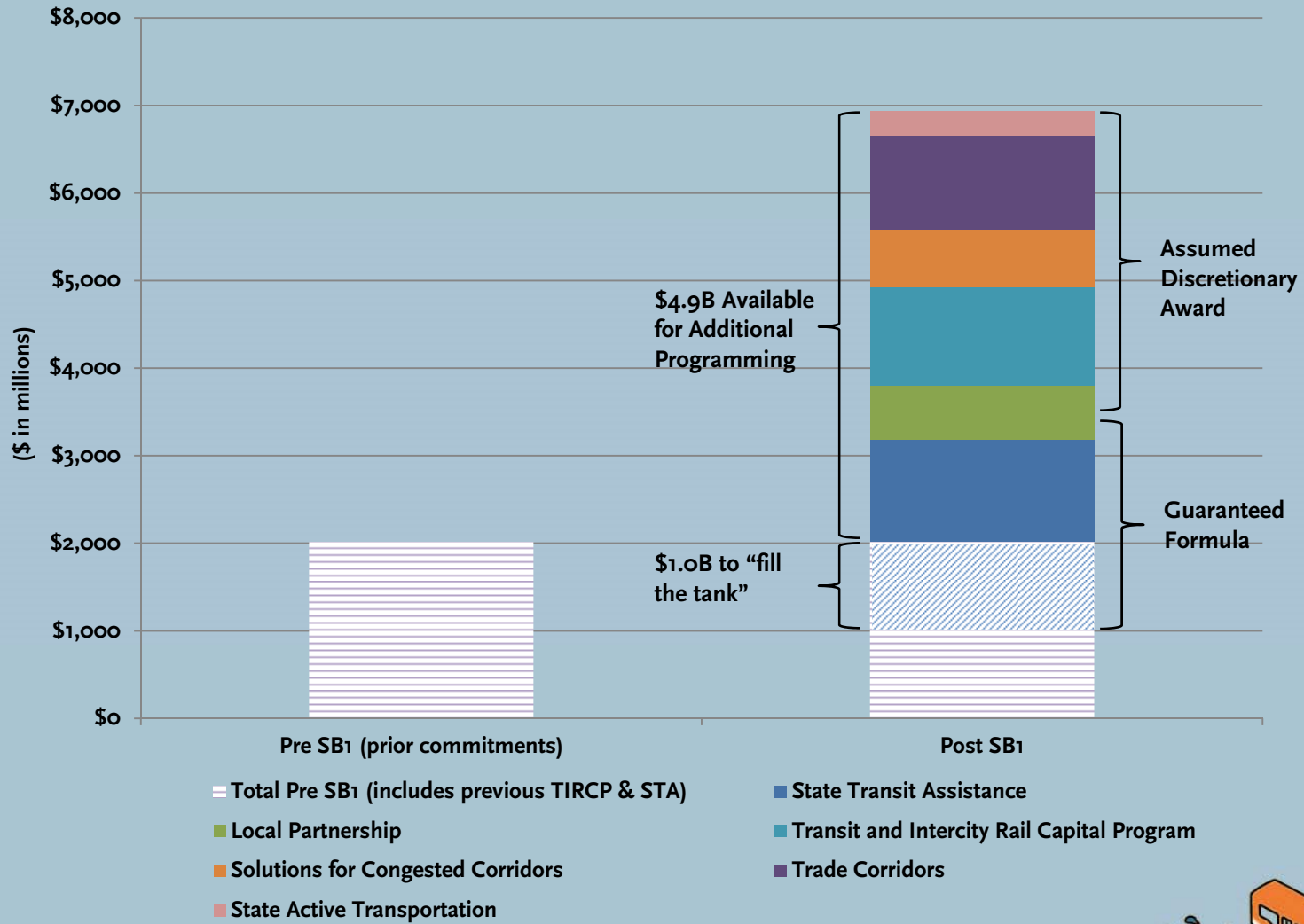   - **Rail Operations Center (ROC) expansion**

SB1 Impact

- **The State-approved increase in fuel and other transportation taxes is expected to direct as much as $5.9 billion for Metro over the next ten years (estimated from State-based forecasts)**
  - Provides for both operating and capital investments
  - Formula share is $2.5B; Competitive is assumed to be $3.4B
    - Metro's capture of State discretionary programs is based on past performance & criteria
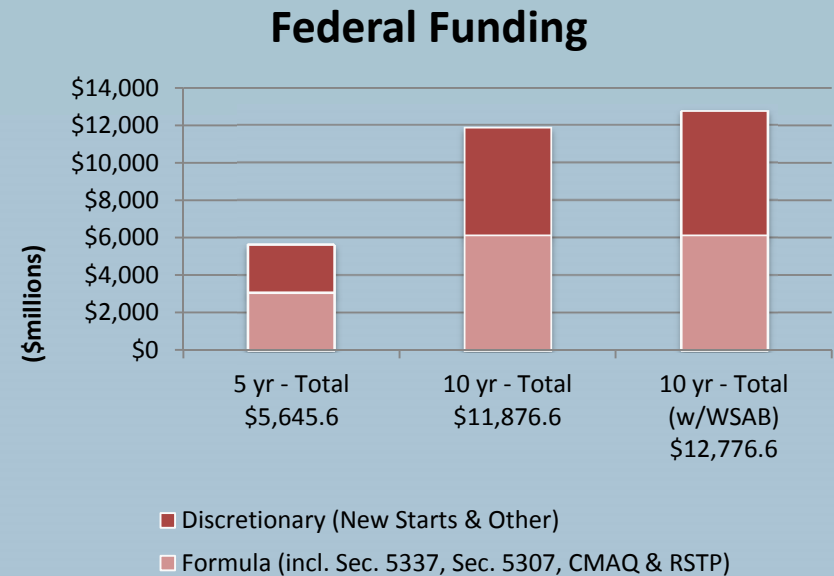 - $1.0B of SB1 anticipated capacity needed to "fill the tank" for prior State commitments

SB1 Impact (10 years)

Chart: $ in millions

Pre SB1 (prior commitments) — bar at $2,000

Post SB1 — stacked bar:
- $1.0B to "fill the tank"
- $4.9B Available for Additional Programming
- Guaranteed Formula
- Assumed Discretionary Award

Legend:
- Total Pre SB1 (includes previous TIRCP & STA)
- Local Partnership
- Solutions for Congested Corridors
- State Active Transportation
- State Transit Assistance
- Transit and Intercity Rail Capital Program
- Trade Corridors
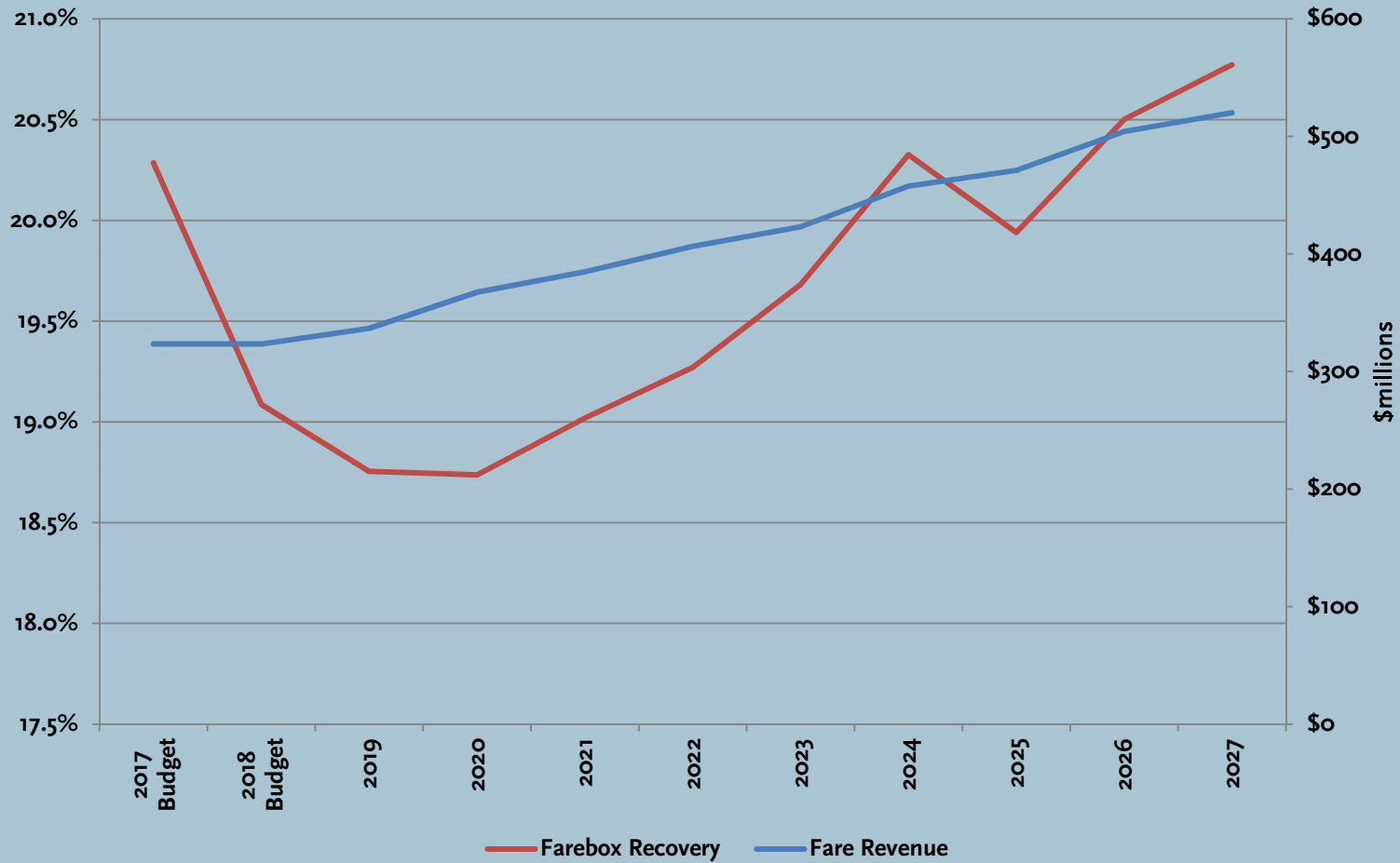
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Federal Funding Outlook (10 years)

- **Financial baseline includes $2.0 billion New Starts funding in FY18-FY22 (5 years)**
  - **Regional Connector**
  - **Purple Line Section 1**
  - **Purple Line Section 2**
  - **New funding for Purple Line Section 3**
- **New Starts funding over ten years:**
  - **$3.5 billion adding Sepulveda Pass Phase 2**
  - **Would be $4.4 billion if adding accelerated West Santa Ana Branch (WSAB) Phase 2 gap closure schedule**

Federal Funding

($millions)

Bar chart values:
- 5 yr - Total $5,645.6
- 10 yr - Total $11,876.6
- 10 yr - Total (w/WSAB) $12,776.6

■ Discretionary (New Starts & Other)
■ Formula (incl. Sec. 5337, Sec. 5307, CMAQ & RSTP)

✱Other includes TIGER & INFRA

Fares and Farebox Recovery (10 years)

Chart showing Farebox Recovery (red line) and Fare Revenue (blue line) across years: 2017 Budget, 2018 Budget, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027. Left axis: 17.5% to 21.0%. Right axis: $0 to $600 millions.

Legend: Farebox Recovery, Fare Revenue

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Fares and Farebox Recovery (10 years)

- **Farebox recovery estimated at 19.1% in FY18 budget**
- **Fare revenues projected to grow from $323 million to $520 million over 10 years**
  - Farebox recovery is related to both ridership and fare revenue
  - With regard to ridership, Metro has launched a Bus Reimagining Study to potentially restructure the system
  - "Right-sized" fare structure is assumed in order to track revenue growth

State of Good Repair (40 years)

- **Financial Forecast includes $36.3 billion of "state of good repair" (i.e., replacement and repair) costs**
  - Costs based on Metro Transit Asset Management (TAM) database (for existing assets in service)
  - SGR estimates attached to new infrastructure are extrapolations of TAM data

Category	($mil) FY18-FY57
Rail Facilities	$49
Heavy Rail Vehicles	1,671
Light Rail Vehicles	6,141
Rail - Existing Lines	8,069
Rail - New Lines*	4,491
Bus Fleet	12,153
Bus Facilities	3,718
Total	$36,292

*includes vehicles & BRT lines

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Debt Financing

- **Financial baseline includes $41.0 billion of sales tax-and grant-backed debt financing over forty years**
  - Future debt service expected to increase steadily over time to match aggressive project delivery schedule
  - Debt service capped by Debt Policy maximums
  - Retirement of existing Prop A and Prop C debt offsets future cash flow impact

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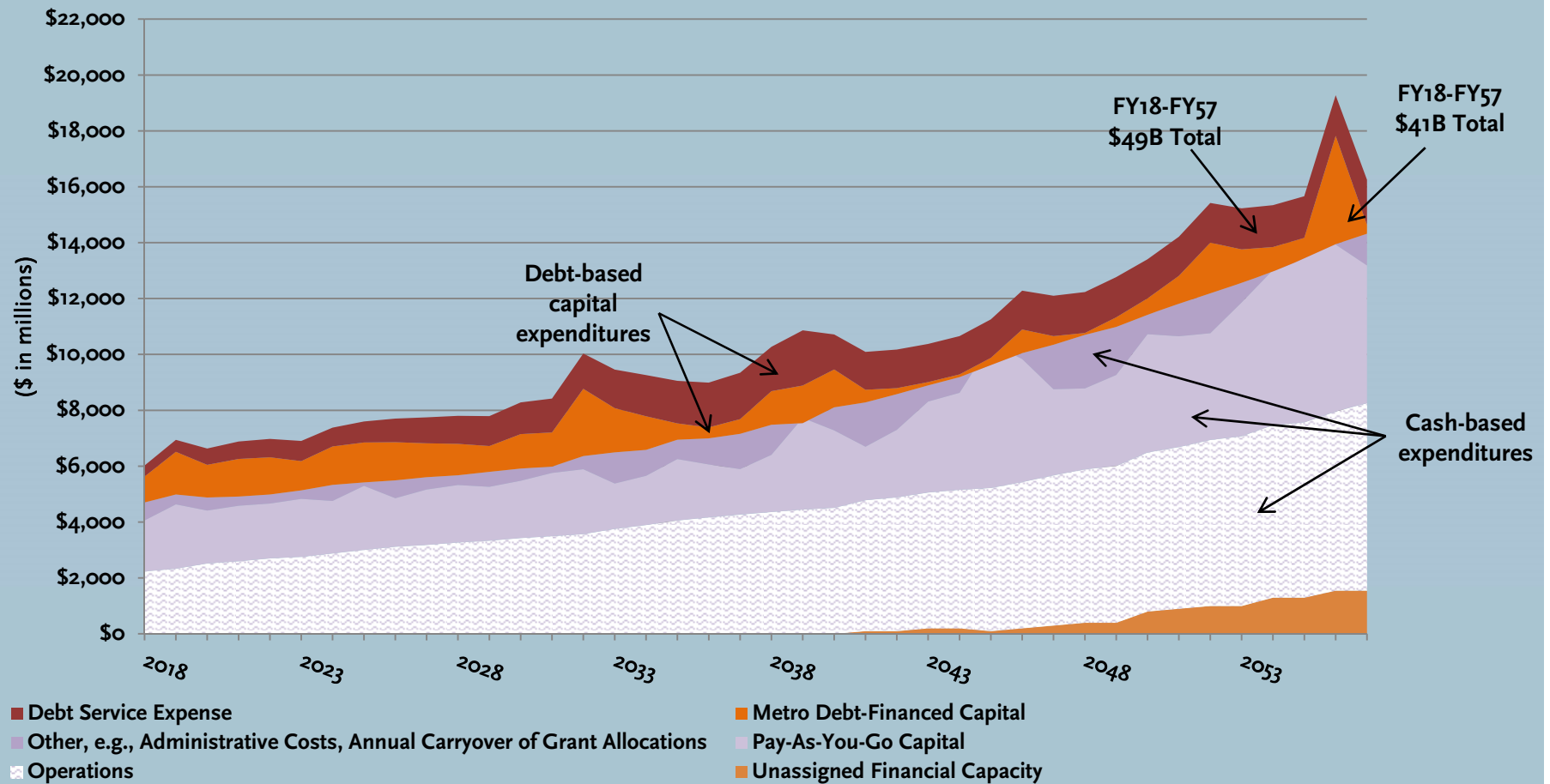# LRTP Baseline Forecast Assumptions (40 Years)

All combined revenues used to fully fund the following assumed priority expenditures:

- Operations associated with existing and expanded system
- Sustaining and maintaining existing system and SGR projects for expanded system
- Capital Programs attached to the following commitments:
  - Measure R Projects & Programs
  - Measure M Projects & Programs

There is very limited unassigned fund or debt capacity in the baseline assumptions

Long Range Baseline Expenditure Forecast

Legend:
- ■ Debt Service Expense
- ■ Metro Debt-Financed Capital
- ■ Other, e.g., Administrative Costs, Annual Carryover of Grant Allocations
- ■ Pay-As-You-Go Capital
- ▨ Operations
- ■ Unassigned Financial Capacity

Baseline Funding Capacity Takeaway

- **All Measure R and M commitments can be fulfilled under baseline assumptions**
  - This includes inflationary impacts to costs over 40 year period

Baseline Funding Capacity Takeaway

- **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

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Managing Risks

- **Financial baseline is predicated on:**
  - Stable sales tax growth
  - Containment of operating and capital costs and right-sized fare revenue
  - Reliable contributions from Federal and State funding partners
- **Any significant loss in revenue or cost increases will require offsetting action**
  - Apply cost containment policies (Measure R and M)
  - Delay capital project start-up date

Next Steps

- **Metro staff will continue to monitor and update the long range financial forecast conditions**
  - Sales tax receipts
  - Federal and State grants
  - Board-approved changes
  - Annual budget
- **As part of the LRTP, staff will recommend financial scenarios and sensitivity analyses**
  - Evaluate alternative assumptions and their impacts against the baseline

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Next Steps (continued)

- **Recommend a 10-year strategy that identifies and allocates funding consistent with the LRTP investment plan**
  - Refines priorities for most restricted investment period
  - Provides mechanisms to address currently unfunded, large scale capital projects under consideration
  - Creates framework to assess acceleration/deceleration policy