FSI Funding Plan

Phase 1 – Fareless for K-14 Students

The scope of Phase 1 is limited to K-12 and community college students, additional operational costs are assumed to be absorbed in the existing Transit Operations budget. As shown in the table below, fare revenue losses for Metro are estimated at $33.5 million for Metro and $16.4 million for municipal and local operators, for a total estimated Phase 1 financial impact of $49.9 million for FY22 and FY23.

Phase 1 Funding Plan ($ in millions)	Pilot Year 1	Pilot Year 2	Total
Estimated Costs			
Metro K-12 Students	$ 7.7	$ 25.8	$ 33.5
Countywide Muni/Local K-12 Students	8.2	8.2	16.4
Community College Students [1]	-	-	-
Total Estimated Costs	$ 15.9	$ 34.0	**$ 49.9**
Funding Plan			
Secured			
ARPA Funds [2]	$ 11.7	$ 29.8	$ 41.5
Cost Sharing Contracts with K-12 Schools and Community Colleges [3]	2.2	2.2	4.4
Unsecured			
Cost Sharing Contracts with K-12 Schools and Community Colleges [4]	2.0	2.0	4.0
Total Funding Plan	$ 15.9	$ 34.0	**$ 49.9**

(1) No changes assumed for existing cost sharing agreements with community colleges.

(2) Each participating agency will utilize their share of ARPA funding allocations as approved by the Metro Board of Directors at the July 2021 Regular Board Meeting.

(3) Ongoing current negotiations with 41 out of 87 K-12 districts interested in the program represent $2.2 million in annual cost sharing revenues.

(4) If all K-12 districts countywide participate in the program, additional annual revenues are estimated at $2.0 million.

Metro fare revenue losses are based on pre-covid K-12 fare revenues of $27 million annually. For FY22, fare revenue loss estimates are based on total budgeted fare revenues of $73.2 million per the FY22 adopted budget, including reduced fare revenue projections due to the ongoing pandemic. However, in FY23, fare revenues and ridership are expected to return to 95.5% of pre-pandemic levels. For municipal and local operators, many of which have already resumed collecting fares, estimates are based on Metro's 10.5% K-12 fare revenue share applied to county-wide fare revenue data per the National Transit Database agency profiles. All existing community college fare agreements will be maintained during the pilot period and there is no fare revenue loss assumed for the community college piece of Phase 1.

Phase 2 – Fareless for Low-Income Riders

As shown in the table below, the total financial impact is estimated at $229 million for Metro and $210 million for municipal and local operators, for a total estimated Phase 2 financial impact of $439 million for Year 1 and Year 2.

Attachment A

Phase 2 Funding Plan ($ in millions)	Pilot Year 1		Pilot Year 2		Total	
Estimated Costs						
Metro						
Estimated Fare Revenue Loss	$	22.6	$	147.4	$	170.0
Bond Defeasance		68.0		(12.0)		56.0
Administrative Costs for New Low Income Program		2.0		1.0		3.0
Metro Subtotal	*$*	*92.6*	*$*	*136.4*	*$*	*229.0*
Countywide Municipal & Local Operators						
Estimated Fare Revenue Loss	$	24.0	$	48.0	$	72.0
Additional Costs		46.0		92.0		138.0
Municipal & Local Operators Subtotal	*$*	*70.0*	*$*	*140.0*	*$*	*210.0*
Total Estimated Costs	$	162.6	$	276.4	**$**	**439.0**
Funding Plan (1)						
Secured						
Redirect LIFE Program Revenues to FSI Phase 2 (2)	$	7.5	$	15.0	$	22.5
Unsecured						
General Revenues - Bond Defeasance (3)		68.0		-		68.0
Potential New Funding		87.1		261.4		348.5
New Federal Grants, such as Freedom to Move						
New State Grants, such as LCTOP						
New Local Funding, such as New Advertising Revenue						
New Philanthropic Grants						
Total Funding Plan	$	162.6	$	276.4	**$**	**439.0**

(1) Phase 2 implementation is contingent on securing $416.5 million in new funding ($439 million total estimated costs, less $22.5 million for redirected LIFE Program revenues).

(2) Assumes countywide participation in FSI Phase 2, with total LIFE budget redirected to fund the pilot.

(3) Federal and state grants not eligible for bond defeasance. General revenues used for payment will impact revenues available for transit operations.

Metro fare revenue losses are based on pre-covid fare revenues of approximately $250 million annually and a low-income ridership share of 69% per the Customer Satisfaction Survey. For Pilot Year 1, fare revenue loss estimates are based on total budgeted fare revenues of $73.2 million per the FY22 adopted budget, including reduced fare revenue projections due to the ongoing pandemic. However, in Pilot Year 2, fare revenues and ridership are expected to return to 95.5% of pre-pandemic levels. For municipal and local operators, many of whom have already resumed collecting fares, estimates are based on Metro’s 69% low-income fare revenue share applied to county-wide fare revenue data from National Transit Database agency profiles.

General Revenue Bonds Pledged to Fares

Metro has two outstanding bond issues secured by general revenues: the General Revenue 2010-A Bonds and the General Revenue 2015 Bonds. General revenues include farebox revenues and fees, advertising revenue, revenues derived from Metro's leased properties, investment earnings, and other revenues under non-operating revenue categories of the Enterprise fund. Based on a legal opinion from Metro’s bond counsel, these bonds should be defeased prior to the implementation of Phase 2 or a fully fareless system. However, this is not required for implementation of Phase 1.

Attachment A

Metro would incur a one-time cost of $80 million to defease bonds, prior to implementation of Phase 2 or a universal fareless program. If Metro as a policy matter would like to permanently cease collection of farebox revenues, the General Revenue Bonds should be legally defeased first. The cost to defease both series of General Revenue Bonds is approximately $80 million. Annual savings in related debt service payments is approximately $12 million annually.