



Board Report

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**FINANCE, BUDGET, AND AUDIT COMMITTEE
JUNE 17, 2015**

SUBJECT: FY 2015-16 METROLINK ANNUAL WORK PROGRAM BUDGET

ACTION: APPROVE METROLINK'S FY 2015-16 ANNUAL WORK PROGRAM AND RELATED ACTIONS

RECOMMENDATION

APPROVED:

- A. the **Southern California Regional Rail Authority's (SCRRA) FY 2015-16 Annual Work Program** pursuant to their April 17, 2015, budget transmittal (Attachment A) and subsequent May 28, 2015, revised budget transmittal (Attachment B);
- B. the Los Angeles County Metropolitan Transportation Authority's (LACMTA) share of SCRRA FY 2015-16 Metrolink funding totaling \$87,514,128 to reflect the programming of funds as follows:
 - 1. \$65,481,000 for Metrolink Operations;
 - 2. \$2,578,128 for Right of Way (ROW) Security;
 - 3. \$5,806,000 for ROTEM Reimbursement;
 - 4. \$13,074,000 for New TVM Purchase in Los Angeles County;
 - 5. \$475,000 for Capital Projects; and
 - 6. \$100,000 for one-time special events
- C. authorizing the Chief Executive Officer (CEO) to defer LACMTA's share of SCRRA FY 2015-16 Renovation and Rehabilitation budget and extend the lapsing dates of expiring MOUs until the agreed upon cash flow and reconciliation of SCRRA's Renovation and Rehabilitation program is provided to LACMTA or until September 30, 2015;
- D. the FY 2015-16 Transfers to Other Operators payment rate of \$1.10 per boarding to LACMTA and an EZ Pass reimbursement cap to LACMTA of \$5,592,000;

- E. authorizing the CEO to amend LACMTA's Commuter Rail Program budget as described in the financial impact section of this report and to negotiate and execute all necessary agreements between LACMTA and the SCRRA for the approved funding; and
- F. authorizing the CEO to amend LACMTA's adopted budget to reflect the above recommendations.

ISSUE

The SCRRA Joint Powers Agreement (JPA) requires the member agencies to approve their share of Metrolink funding before the SCRRA Board adopts their budget. The SCRRA Board is scheduled to approve the FY 2015-16 Budget at their June 26, 2015, Board meeting pending LACMTA Board approval on June 25, 2015. Since LACMTA approved their FY 2015-16 Budget on May 28, 2015, the LACMTA FY 2015-16 Budget will need to be amended to reflect the programming and budget actions recommended in this item.

POLICY IMPLICATIONS

The SCRRA FY 2015-16 Budget sets service levels, identifies rehabilitation and renovation projects, programs new capital projects, and establishes member agency shares of operating costs and subsidy allocation commitments for Metrolink service. Approval of this funding commitment is made in accordance with the SCRRA Joint Powers Agreement and will allow SCRRA to continue Metrolink operations at the specified levels and to maintain the railroad in a reliable state of good repair.

DISCUSSION

The Metrolink system provides commuter rail service within Los Angeles County and between Los Angeles County and the surrounding counties of Orange, Riverside, San Bernardino, and Ventura, as well as northern San Diego County. Ridership currently averages 41,374 boardings per day. Approximately 78% of riders have destinations within Los Angeles County with the average rider traveling 35 miles each way.

SCRRA's Chief Executive Officer transmitted the Preliminary FY 2015-16 Budget to the five member agencies on April 17, 2015, and the revised FY 2015-16 Budget on May 28, 2015. SCRRA's FY 2015-16 Budget assumes no fare increase.

The SCRRA overall FY 2015-16 Budget consists of \$229.8 million for operations, \$75.0 million for rehabilitation projects and \$57.0 million for new capital projects. Approximately 45% of the operating expenses are offset by fare box and other operating revenues. The remaining 55% of operating costs is shared by the five member agencies based on formulas established by the JPA. LACMTA's share of the operations subsidy is approximately 51%.

Metrolink Operations - \$65,481,000

Metrolink operates 172 weekday and 90 weekend trains. SCRRA’s 2015-16 Budget includes new service with the addition of the 91 Line Perris Valley extension consisting of three new round trips from South Perris to L.A. Union Station and three intra-county round trips. This new service is expected to begin December 14, 2015.

For FY 2015-16, SCRRA’s operating expenses are projected to increase \$7.2 million (3.2%) over FY 2014-15 levels. Much of this increase is attributable to the new Perris Valley Line service, increased TVM ticket stock and credit card service costs, insurance increases as a result of the Oxnard accident and transfers to other operators.

METROLINK OPERATIONS BUDGET SUMMARY (\$ Millions)				
	FY 2014-15	FY 2015-16	DIFF.	CHANGE *
Expenses	\$ 222	\$ 230	\$ 7	3%
Revenues	\$ 111	\$ 102	(\$ 9)	(8%)
Member Agency	\$ 112	\$ 128	\$ 15	14%
Metro Subsidy	\$ 60	\$ 65	\$ 5	9%

* Numbers may not add up due to rounding

For FY 2015-16, the member agencies will absorb \$16 million in increased member agency subsidies to SCRRA. Because LACMTA is the largest funding partner for SCRRA, LACMTA will incur the majority of the \$16 million subsidy increase. LACMTA’s requested contribution for FY 2015-16 Metrolink Operations will increase 9% from \$60 million to \$65 million. It should be noted that Metrolink operating costs have been dramatically increasing over the past three years. This trend is not sustainable and exceeds LACMTA’s LRTP projection .

Right-of-Way (ROW) Security Services from L.A. County Sheriff - \$2,578,128

SCRRA contracts with the Los Angeles County Sheriff Department (LASD) to provide core security and fare enforcement services on board trains and at stations. In addition, and separate from the aforementioned core services, LACMTA provides additional subsidy to SCRRA for supplemental LASD services on Metrolink ROW owned by LACMTA. The budget amount for 9.5 full time equivalents (FTEs) are funded to provide a dedicated security presence along LACMTA owned ROW, and to more quickly respond to incidents along the ROW within Los Angeles County.

OCTA/Rotem Rolling Stock Acquisition - \$5,806,000

The Orange County Transportation Authority (OCTA) purchased 22 rails cars for inter-county service which were later incorporated into the system-wide fleet. The member agencies reached an agreement that OCTA is to be compensated for these system-wide cars. A five year funding plan was established and payments will be made for a total LACMTA commitment of \$19,928,150. LACMTA previously approved \$4,100,000 as a first year commitment for FY 2012-13, \$4,500,000 for the second year commitment in FY 2013-14 and \$4,000,000 for the third year commitment in FY 2014-15. For the fourth year commitment, FY 2015-16 only, LACMTA will program \$5,806,000 in Measure R 3% funds. The final commitment of \$1,522,150 for year five will be taken to the LACMTA

Board with the FY 2016-17 budget.

Renovation and Rehabilitation Program

Each year LACMTA allocates funds to SCRRA for its Rehabilitation and Renovation program. This program funds routine repairs and improvements to track work, bridge repair and other infrastructure, signal system, rail, ties, ballast and replacement/refurbishment of rolling stock in order to keep the railroad in a state of good repair.

SCRRA has requested \$20,000,000 in programming authority for their FY 2015-16 Renovation and Rehabilitation program. This is in addition to the approximately \$40M of previously programmed and budgeted rehabilitation funds which remain unspent. Staff has requested a cash flow from SCRRA that identifies the actual funding status from previously executed MOUs outlining each authorized project's budget, project schedule status, and remaining amounts to be billed. This will assist SCRRA in reviewing and reprioritizing their Renovation and Rehabilitation program. The reconciliation and cash flow is expected to be completed by June 30, 2015. Once SCRRA provides this reconciliation and cash flow to LACMTA, staff will return to the Board with a separate request for SCRRA's FY 2015-16 Renovation and Rehabilitation program funding request.

Capital Projects

Metrolink is requesting \$475,000 to be used for preparing project study reports and initial design for enhancement and expansion (i.e. non-good state of repair projects).

Special Event Services - \$100,000

An additional \$100,000 in funding is requested for the following special events:

- Dodgers Trains
- Angels Trains
- Any other special services/events which may occur.

These services provide alternate transportation and reduce congestion for these large scale events which usually occur during peak commuter hours.

Extend Lapsing Date of Renovation/Rehabilitation Funds

SCRRA programs rehabilitation funds for multiple years. This is necessary to maximize the effectiveness of the program and take advantage of matching federal funds. In addition, several projects, such as the Tier 4 locomotive rehabilitation program, are expected to extend over several years. As a result of this, the funds programmed over multiple years may not be completely invoiced prior to lapsing. In FY 2014-15 LACMTA extended the lapsing period from three years to four years and extended the lapsing dates of several MOUs. However, projects remain incomplete.

SCRRA's funding lapses on June 30, 2015, for several MOUs. Staff is seeking Board authority to extend funding until SCRRA provides the cash flow and reconciliation requested or until September

30, 2015. Lapsing dates will be determined after reviewing SCRRA's project reconciliation.

Transfers to Other Operators Payment Rate to LACMTA

SCRRA reimburses LACMTA for Metrolink riders who transfer to and from LACMTA services for free, including the rail system at Union Station, through the EZ Transit Pass Program. Since LACMTA began latching subway gates in 2013, it is anticipated that the actual number of Metrolink passengers transferring to LACMTA services will be significantly higher than currently estimated. To obtain more accurate data, Metro is expanding TAP services to capture Metrolink ridership on Metro buses and from other transit operators.

For FY 2015-16, staff is recommending the reimbursement rate remain at \$1.10, the same as for FY 2014-15, and that the existing EZ Transit Pass cap of \$5,592,000 be honored. This will maintain the current arrangement until there is sufficient Transit Access Pass (TAP) data available to identify the actual number of passengers transferring to and from LACMTA services.

LACMTA Audit Scope Expansion

Each year LACMTA conducts a financial and compliance audit of Proposition C 10% and Measure R 3% funds allocated by LACMTA to SCRRA. The intent is to certify compliance with board adopted policies, program guidelines and the annual work program MOU adopted language. LACMTA has elected to expand the scope of the audit to include allowable costs beginning with LACMTA's fiscal year 2013-14 audit. This will ensure LACMTA is being charged reasonable costs that are generally recognized as an ordinary or necessary part of doing business, follows sound business practices and comply with all federal, state and local laws.

PRIOR BOARD ACTION

LACMTA's board previously approved funding for the following Metrolink programs:

Antelope Valley Line 100% Fare Enforcement Program - \$1,700,000

(Please refer to the December 4, 2014 LACMTA board action - Item #14)

This board motion states that \$1,700,000 is needed to fund this program through June 30, 2015.

Please note that SCRRA has clarified that the \$1,700,000 in funding covers an entire year (January 1, 2015 through December 31, 2015).

Antelope Valley Line Fare Reduction Program - \$2,500,000

(Please refer to the April 30, 2015 LACMTA board action - Motion #77)

Metrolink Grade Crossing Improvements (Soledad, Citrus & Ramona) - \$8,000,000

(Please refer to the March 26, 2015 LACMTA board action - Item #10)

Although the LACMTA board approved funding in FY 2014-15, the cash flow Metrolink provided indicates LACMTA funding of \$12,200,000 is not needed until FY 2015-16.

FUTURE BOARD ACTION

New Ticket Vending Machine (TVM) Purchase

SCRRA is in the process of procuring new TVMs system-wide. The TVMs are original equipment to Metrolink's fleet. After 20 plus years of continued use, the TVM technology is outdated and the equipment has frequent performance failures. These failures cause reliability issues which affects Metrolink ridership and revenues.

SCRRA has included \$30.7M in their FY 2015-16 budget transmittal to purchase the new ticket vending machines. LACMTA's share of \$13.1M was approved as part of LACMTA's budget submission at the May 28, 2015 board meeting. Staff will return to the board with the actual cost when Metrolink completes their procurement process.

New Tier 4 Locomotives

SCRRA is considering exercising their contract option to purchase 20 additional new Tier 4 low emission locomotives. Based on an analysis provided by SCRRA, the member agencies agree purchasing new Tier 4 locomotives is a better option than rehabilitating 20 of their current No Tier locomotives which will need to be replaced in 10 years. SCRRA has applied for funding from the AQMD and other grants which will reduce the member agency contribution. SCRRA will receive the grant decisions in June 2015 and inform the member agencies of their contribution needed to fill the funding gap. Staff will return to the board when we receive this information from SCRRA.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no impact on the safety of Metro's patrons or employees.

FINANCIAL IMPACT

SCRRA has requested \$119,714,128 for LACMTA's total FY 2015-16 programming authority. However, staff is recommending a temporary reduction of LACMTA's contribution to \$99,714,128 as outlined below.

Staff is recommending this action because LACMTA has programmed and budgeted approximately \$40M for SCRRA's Renovation and Rehabilitation program in previous years which remains unspent and resulted in multiple extensions of lapsing funds. Staff continues to work with SCRRA to reconcile previously appropriated funding to identify funds that can be reprogrammed to high priority projects and projects that have an immediate need. Staff will return to the Board upon receipt of SCRRA's cash flow, reconciliation and reprioritization of their Renovation and Rehabilitation program to determine actual funding requirements.

Component	FY 2015-16
Metrolink Operations	\$ 65,481,000
ROW Security	\$ 2,578,128

Rotem Reimbursement	\$ 5,806,000
Capital Projects	\$ 475,000
Special Events	\$ 100,000
<u>Prior Board Approvals</u>	
AVL 100% Fare Enforcement	\$ 1,700,000
AVL Fare Reduction Program	\$ 2,500,000
Capital Projects	\$ 8,000,000
<u>Future Board Action</u>	
New TVM Acquisition	\$ 13,074,000
New Locomotives	TBD
TOTAL FY 2015-16 Funding:	\$ 99,714,128

With the much needed TVM and locomotive purchases, SCRRA’s reconciliation will assist LACMTA in identifying funding that can be reallocated.

ALTERNATIVES CONSIDERED

There is no alternative to the recommendations if SCRRA is to operate the recommended service levels and maintain the railroad in a state of good repair.

NEXT STEPS

LACMTA received SCRRA’s Comprehensive Annual Financial Report (CAFR) on May 27, 2015. The CAFR information is needed to complete LACMTA’s annual audit of operating expenditure allocations and determine if any surplus funds are available for reprogramming. LACMTA’s auditors will begin their engagement in the next few weeks. In January 2016 Staff will reconcile SCRRA’s requested funding to LACMTA’s audit results. If surplus funds are available, Staff will amend and reduce SCRRA’s budget accordingly.


The SCRRA Board is scheduled to adopt its FY 2015-16 Budget on June 25, 2015. LACMTA staff will monitor implementation of SCRRA’s budget and report back to the LACMTA Board with any issues requiring Board action.

ATTACHMENTS

- A. SCRRA FY 2015-16 Preliminary Budget Transmittal
- B. SCRRA FY 2015-16 Revised Budget Transmittal

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