



Board Report

File #: 2020-0548, File Type: Informational Report

Agenda Number: 11.

**FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 16, 2020**

SUBJECT: FISCAL YEAR 2021 TRANSIT FUND ALLOCATIONS

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. APPROVING \$2.1 billion in FY 2021 Transit Fund Allocations for Los Angeles County jurisdictions, transit operators and Metro operations as shown in **Attachment A**. These allocations comply with federal, state and local regulations and LACMTA Board approved policies and guidelines;
- B. APPROVING fund exchanges in the estimated amount of \$2,813,249 of Metro's TDA Article 4 allocation with Municipal Operators' shares of Low Carbon Transit Operations Program. Funding will be adjusted based on LCTOP actual allocations;
- C. APPROVING fund exchanges in the estimated amount of \$267,928 of Metro's Prop C 40% allocation with Antelope Valley's shares of Low Carbon Transit Operations Program. Funding will be adjusted based on LCTOP actual allocations;
- D. APPROVING fund increases from \$6.0 million to \$9.0 million in FY 2021 for Tier 2 Operators. This allocation includes CARES ACT Equivalent Supplemental Funding as approved by the LACMTA Board of Directors;
- E. APPROVING the execution of local funding exchanges as appropriate in order to implement the Board approved CARES Act allocations;
- F. APPROVING fund exchange of Federal Section 5307 discretionary fund awarded to the Southern California Regional Transit Training Consortium (SCR TTC) through Long Beach Transit in the amount of \$330,000 with Metro's TDA Article 4 allocation;
- G. APPROVING fund exchanges in the amount totaling \$14.0 million of Metro's Federal Section 5307 share with Municipal Operators' shares of Federal Sections 5337 and 5339;
- H. AUTHORIZING the Chief Executive Officer to adjust FY 2021 Federal Section 5307 (Urbanized Formula), Section 5339 (Bus and Bus Facilities) and Section 5337 (State of Good Repair) allocations upon receipt of final apportionments from the Federal Transit Authority and amend FY 2021 budget as necessary to reflect the aforementioned adjustment;
- I. AUTHORIZING a \$1.26 million allocation to LIFE Program Administrators, FAME Assistance Corporation (FAME) and the International Institute of Los Angeles (IILA) to fund the FY21 Taxi Voucher component of the LIFE Program;
- J. AUTHORIZING the Chief Executive Officer to negotiate and execute all necessary agreements to implement the

above funding programs; and

- K. ADOPTING a resolution designating Transportation Development Act (TDA) and State Transit Assistance (STA) fund allocations are in compliance with the terms and conditions of the allocations (**Attachment B**).

ISSUE

Each year, transit operating and capital funds consisting of federal, state and local revenues are allocated to Metro operations, transit operators and Los Angeles County local jurisdictions for programs, projects and services according to federal guidelines, state laws and established funding policies and procedures. The Board of Directors must approve allocations for FY 2021 before funds can be disbursed.

In May of 2020, in the midst of the pandemic, the Metro Board adopted a Continuing Resolution to extend the FY20 budget for one quarter into FY 2021 and authorized the extension of annual subsidies. The FY 2021 Transit Fund Allocations incorporates the continuing resolution and covers July 1, 2020 through June 30, 2021.

The Municipal operators are requesting fund exchanges of their Federal Sections 5339 and 5337 allocations with Metro's share of Federal Section 5307 allocation in order to minimize the impact on administrative processes associated with these funding programs.

BACKGROUND

The Los Angeles County Metropolitan Transportation Authority (LACMTA), as the Regional Transportation Planning Entity for Los Angeles County, is responsible for planning, programming and allocating transportation funding to Los Angeles County jurisdictions, transit operators, and Metro Operations. LACMTA Board approval will allow the continued funding of transportation projects, programs and services in Los Angeles County.

DISCUSSION

With the implementation of the Safer at Home order in March, nonessential businesses were closed, and all residents were directed to leave their homes only for essential activities. As a result, consumer spending has plummeted, transit ridership and fare revenues have dropped dramatically, and a significant reduction is anticipated in resources available to operate and maintain Los Angeles County's transit mobility network.

The revenue received from local and state derived sales tax measures, the basis of our investment in mobility, is estimated to decline by a total of \$1.060 billion over FY20 and FY21. These unprecedented revenue losses affect every component of Los Angeles County's transportation investment program, including Metro's bus and rail operations, municipal transit operators, the 89 local jurisdictions throughout Los Angeles County, local community-based operators, and other partnerships throughout the county. Metro continues to pursue stimulus and recovery subsidies from FEMA, Federal, and State governments. The Federal CARES Act signed on March 27, 2020 provided \$1 Billion for LA county transit operators on a reimbursement basis.

In order to provide CARES Act relief to transit operators throughout Los Angeles County, Metro staff proposed, and the Board approved, the CARES allocation methodology, based on offsetting and mitigating the loss of sales tax revenues, fares and other revenues. The goal of the CARES allocation method is to ensure that funding for transit operations throughout the county is maintained and supported at pre-COVID funding levels, as intended under the CARES Act. Each operator will receive their full FY20 funding allocation as adopted by the Metro Board. Each operator is also proposed to receive funding equal to levels originally estimated for FY21, prior to the COVID-19 pandemic. As a result, each operator is expected to be "held harmless" in relation to the reduction of sales tax revenues anticipated for FY20 and FY21.

In FY21, in order to offset the estimated sales tax revenue losses and minimize future fiscal disruptions, Metro staff has proposed to deviate from traditional policy and incorporate the FY20 sales tax revenue losses with FY21 total funds available instead of including the FY20 loss in FY22. With the availability of CARES Act funding, operators should see significantly reduced variability in funding.

Staff has also proposed that Proposition C Discretionary programs and Metro TDA administrative allocations remain at FY19 funding levels in order to maintain funding and mitigate the reduction in sales tax revenues.

Transit Fund Allocations

The recommended FY 2021 Transit Fund Allocations are developed according to federal, state and local requirements, as well as policies and guidelines previously approved by LACMTA Board. Details of significant information, methodologies and assumptions are described in **Attachment C**.

The Tier 2 Operators Funding Program will receive \$9.0 million of funding from Proposition A 95% of 40% Discretionary growth over inflation. This allocation includes a total of \$4,534,038 in CARES ACT Equivalent Supplemental Funding as approved by the LACMTA Board of Directors, and the CARES funds will be exchanged with local funds.

The Sub-Regional Paratransit operators, Voluntary NTD Reporting agencies, Avalon Ferry, Avalon Transit Services and Hollywood Bowl Shuttle Services will receive \$7,027,059 in CARES Act Equivalent Supplemental Funding as approved by the LACMTA Board of Directors, and the CARES funds will be exchanged with local funds.

At its April 21, 2020 meeting, the Bus Operations Subcommittee awarded \$330,000 a year for three years of Federal Section 5307 15% Discretionary fund to the Southern California Regional Transit Training Consortium (SCR TTC) through Long Beach Transit. Funds will be exchanged with Metro's share of the Transportation Development Act (TDA) fund.

Staff has reviewed the recommended allocations, related methodologies and assumptions with Metro operations, transit operators, Los Angeles County local jurisdictions, Technical Advisory Committee (TAC), Bus Operations Subcommittee (BOS) and the Local Transit Systems Subcommittee (LTSS). The TAC, BOS and LTSS have all formally adopted the recommended FY 2021 Transit Fund Allocations.

Low Income Fares is Easy (LIFE) Program

The LIFE program, in addition to the provision of fare subsidies, provides Taxi Vouchers to individuals with short term/immediate need transit services who are otherwise unable to use fixed route transit. Taxi Vouchers and their required reimbursements to Taxi providers are managed by the program administrators and distributed to the rider, through approved agencies such as hospitals and shelters, to provide trips categorized by mobility or health limitations, urgency or safety. Funding to accommodate Taxi reimbursements and voucher printing are to be allocated as follows: \$840 thousand to FAME, and \$420 thousand to IILA.

DETERMINATION OF SAFETY IMPACT

Adoption of this item will provide funding for increased safety efforts.

FINANCIAL IMPACT

The FY 2021 Transit Fund Allocations are included in the FY 2021 Budget in multiple cost centers and multiple projects. Approval of these recommendations authorizes LACMTA to disburse these funds to the Los Angeles County jurisdictions and transit operators.

ALTERNATIVES CONSIDERED

The Board may choose not to approve the FY 2021 Transit Fund Allocations. This alternative is not recommended because federal, state and local requirements, as well as prior LACMTA Board policies and guidelines require an annual allocation of funding to Los Angeles County jurisdictions, transit operators, and Metro Operations for programs, projects and services. Allocation methodologies and assumptions comply with federal, state and local requirements, as well as policies and guidelines previously approved by LACMTA Board.

NEXT STEPS

Upon Board approval of the recommended allocations and adoption of the resolution, we will work with Los Angeles County jurisdictions, transit operators, Southern California Association of Governments (SCAG) and Metro Operations to ensure the proper disbursement of funds.

ATTACHMENTS

Attachment A - FY 2021 Transit Fund Allocations

Attachment B - TDA and STA Resolution

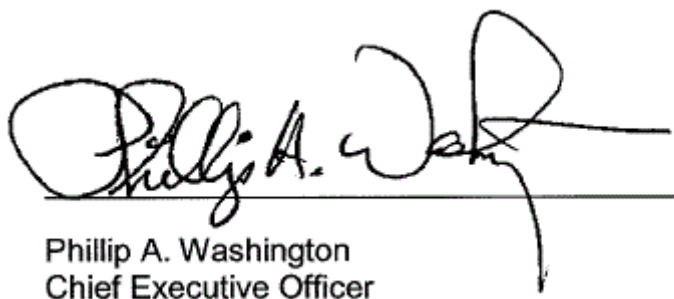
Attachment C - Summary of Significant Information, Methodologies and Assumptions

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