



Board Report

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Agenda Number: 13.

FINANCE, BUDGET AND AUDIT COMMITTEE SEPTEMBER 16, 2020

SUBJECT: FY 2020-21 METROLINK ANNUAL WORK PROGRAM BUDGET

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

- A. APPROVING the Los Angeles County Metropolitan Transportation Authority's ("Metro") share of the Southern California Regional Rail Authority's (SCRRA operated as "Metrolink") FY 2020-21 Budget Transmittal dated July 24, 2020, in the amount of \$129,089,000 as detailed in Attachment A;
- B. REPROGRAMMING \$2,018,016 in surplus FY14, FY15, FY16 and PTIMSEA state of good repair and capital funds to fund a portion of Metro's share of Metrolink's FY 21 rehabilitation program;
- C. REPROGRAMMING up to \$7,000,000 in cost savings from the FY19 and FY20 state of good repair and capital funds to fund a portion of Metro's share of Metrolink's FY 21 rehabilitation program detailed in Attachment B as first priority as additional funding for reprogramming becomes available;
- E. APPROVING programming additional funding for the acquisition of new Metrolink Ticket Vending Devices in the amount of \$1,599,242 to fund Metro's remaining share of the total project budget totaling \$9,673,242;
- F. APPROVING the FY21 Transfers to Other Operators payment rate of \$1.10 per boarding to Metro and an EZ Pass reimbursement cap to Metro of \$5,592,000; and
- G. AUTHORIZING the Chief Executive Officer to negotiate and execute all necessary agreements between Metro and the SCRRA for the approved funding.

ISSUE

Staff is recommending the approval of \$129,089,000 (listed in Attachment A) for Metro's share of Metrolink's FY2020-21 Budget of \$217 million and programming in the amount of \$1,599,242 for the new Metrolink Ticket Vending Devices.

DISCUSSION

The Southern California Regional Rail Authority operates and provides the Metrolink commuter rail service in the Southern California region serving the counties of Los Angeles, Orange, Riverside, San Bernardino, Ventura and up to the northern San Diego County line. The SCRRA Joint Exercise of Powers Agreement (JPA) requires the member agencies to approve their individual share of the Metrolink budget on an annual basis (please refer to Attachment C - Metrolink Transmittal of the Proposed Fiscal Year 2020-21 Budget dated July 24, 2020). The SCRRA FY 21 budget request from all JPA Member Agencies is a total of \$271.3 million consisting of \$217 million for Commuter Rail operations, \$54.3 million for Rehabilitation and no new capital projects.

Metrolink Operations

The Metrolink FY 2020-21 Operating Budget is comprised of \$260.5 million in expenses, revenue of \$43.5 million, a JPA Member Agency subsidy of \$146.4 million and CARES Act funding of \$70.6 million. Metro's total share of Metrolink's FY21 Operating Budget is up to \$109.1 million for commuter rail operations consisting of \$74.1 million for operations and up to \$35.0 million in CARES Act funding. CARES funding is meant to support capital, operating, and other expenses to prevent, prepare for, and respond to COVID-19. The current fiscal year allocation is a \$31.1 million increase (29%) over FY20 levels (refer to Table 1 below). This is specifically to address COVID-19 related expenses and one new roundtrip Saturday service on the Ventura line that will start in April 2021.

TABLE 1 - METROLINK OPERATIONS BUDGET SUMMARY (\$000)

	FY20	FY21	DIFFERENCE	CHANGE %
Operating Expenses	262,869	260,508	-2,361	-0.90%
Fare Revenues	105,423	43,500	-61,923	-58.73%
Member Agency	157,445	217,008	59,563	37.8%
CARES Funding	0	70,627		
Member Agency Subsidy	157,445	146,381	-11,064	-7.60%

METRO SHARE OF METROLINK FY21 BUDGET

	FY20	FY21	DIFFERENCE	CHANGE %
Operations	77,989	74,089	-3,900	-9.50%
CARES		35,000*	35,000	
Subtotal Operations	77,989	109,089	31,100	29%
Rehabilitation	31,964	20,000	-12,840	-40.10%

Capital	1,389	0	-1,389	
Total Metro Share	111,342	129,089	16,871	15.20%

*\$35 million CARES Funding - FY20 is \$7,739 and up to \$27,261 will be allocated for FY21 based on actual expenses in FY21.

The increase in total commuter rail operations cost is attributable to COVID-19 pandemic related costs. The reduction in the Metrolink FY21 Operating Revenue of \$43.5 million as compared to the Metrolink FY 20 of \$105.4 million is \$61.9 million. This reduction in operating revenue is entirely caused by the reduced ridership resulting from the COVID 19 pandemic. Reduced operating revenue was also due to Metrolink operating at a 30% reduction in service levels (a decrease of about four roundtrips per day) since April 2020. Metrolink also assumes no fare increases for FY 21. Furthermore, the Metrolink FY 21 Operating Expenses are \$260.5 million which is \$2.4 million lower than the Metrolink FY 20 Operating Budget of \$262.9 million. Metrolink reduced expenditures to align with the reduced ridership forecast including several cost cutting measures such as a hiring freeze, no FY21 merit or COLA, freeze on business travel and determining possible areas for savings and spending deferrals.

The SCRRA considered several ridership recovery scenarios and assumptions as to when ridership and revenue would normalize in developing their FY 21 budget:

1. **Muted Recovery or Worst Case Scenario** with ridership normalizing in FY24 Q3;
2. **Recession Recovery or Medium Case Scenario** with ridership normalizing in FY23 Q3; and
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3. **No Recession or Best-Case Scenario** with ridership normalizing in FY22 Q3.

Metrolink determined that Scenario #2 should be the basis for Operating Revenues for the Proposed FY21 Budget. This scenario models a return to 50% of FY20 ridership by the end of FY21, which provides ridership for the entire FY21 year of only 34% of FY20 ridership levels.

The Federal CARES Act provides funding to transit agencies to help, prevent, prepare for and respond to the COVID-19 pandemic. Pursuant to Metro’s Board action in May 2020, Metro has allocated \$56.5 million in CARES funding to Metrolink of which \$35 million is to augment fare revenue losses resulting in FY 20 and FY 21 resulting from the COVID-19 pandemic. Metro’s share of Metrolink’s fare revenue loss in FY20 was \$7.7 million and Metrolink estimates Metro’s share of the FY21 fare revenue loss will total up to an additional \$28 million. Staff will work with SCRRA staff to monitor the fare revenue situation and seek Board action through the mid-year budget adjustments to mitigate Metro’s share of Metrolink’s fare revenue losses.

Metrolink also experienced a 95% decrease in ridership as well as a correlating substantial reduction in fare revenue (about 69.8%) as a result of the COVID pandemic and the State’s Safer at Home Order that began in March 2020. In response to the significant decline in ridership, Metrolink instituted a 30% reduction in service in April 2020 along with additional expenses related to personnel protection equipment (i.e. masks) and more frequent daily cleaning of railcars. Staff will continue working with SCRRA to monitor the effect of COVID on Metrolink service and related costs to maintain a safe environment for our passengers and provide service to essential workers.

Further, in consultation with the Member Agencies, it was decided that all new service would be

deferred, except for Saturday service on the Ventura Line and the San Bernardino Express Train. The Saturday service on the Ventura Line will not start until April '21. Adjustments to reflect these reviews and decisions were made to the expense and revenue amounts. The new San Bernardino Express Train is cost neutral since it is converting an existing service to an express service.

Rehabilitation and Capital

In consideration of the COVID-19 impact on JPA member agencies' FY 21 budget, Metrolink did not include any new capital projects in Metrolink's FY 2020-21 total rehabilitation budget request of \$54.3 million of which Metro's share is \$19.1 million (of the \$54.3 million). Staff is recommending programming funds in the amount of \$19.1 million for rehabilitation projects as listed on Attachment C - Metrolink Transmittal of the Proposed Fiscal Year 2020-21 Budget dated July 24, 2020.

Staff is working with Metrolink to prioritize urgent tracks, bridges, culverts and structures state of good repair projects to maintain safety and service. The SCRRA has included a list of specific rehab projects on the Antelope Valley and Ventura Lines as part of their FY 21 Budget. However, due to Metro's unprecedented financial constraints in developing the Metrolink FY 21 rehab budget, staff worked with the SCRRA to fund all the systemwide all-share rehab and shared rehab with the other JPA members. There are additional rehab projects on the Antelope Valley and Ventura Lines totaling \$15.6 million as listed in Attachment B. These rehab projects could potentially be funded in FY21 if additional funds are reprogrammed and become available. Therefore, staff's recommended board action includes up to \$7,000,000 of any future identified cost savings from fiscal years FY19 and FY20 Metro Line specific state of good repair and capital projects that can be applied towards the FY21 rehab projects listed in Attachment B on the Antelope Valley and Ventura Lines totaling \$15.6 million. Staff will work with SCRRA to fund the remaining rehab projects listed in Attachment B of up to \$8.609 million as part of Metrolink's FY 22 Budget.

In the last four years, Metro has provided a total of \$123.6 million (please refer to TABLE 2) consisting of 156 rehabilitation and capital projects from FY17 through FY20. In the last ten years, Metro's largest singular year contribution to Metrolink's rehabilitation and capital program was approximately \$41.7 million which occurred in FY19. Metrolink's project delivery of rehabilitation and capital projects has significantly improved since FY17. Metrolink has identified costs savings from fiscal years FY14, FY15, FY16, capital projects and PTIMSEA funding totaling \$2,018,016 which Metro will deduct from our total FY21 rehabilitation funding commitment.

Fiscal Year	Number of Projects	Funding Amount
FY17	55	41,678,525
FY18	1	6,819,000
FY19	74	41,731,193
FY20	26	33,352,440
Subtotal	156	\$123,581,158
Proposed for FY21	13	19,124,456
GRAND TOTAL	169	\$142,705,614

The current total of unspent Metrolink/Metro MOU funding is approximately \$103 million for rehabilitation and capital project work dating from FY14 through FY20.

Metrolink's Rehabilitation and Capital Carryforward Balance

Metrolink's rehabilitation and capital project carryforward balance as detailed in Attachment C totals \$342.8 million of which Metro's carryforward project balance is \$85.6 million. Due to Metro's decreased sales tax revenue as a result of COVID, Metro would like Metrolink to complete the carryforward projects and expend the associated \$85.6 million in carryforward funding and \$103 million of all Metro open MOUs before Metro programs additional state of good repair projects beyond the FY21 \$19.1 million rehabilitation funding commitment. We will revisit these projects at mid-year to ascertain progress and determine if any mid year adjustments are necessary.

Ticket Vending Devices

June 23, 2015, Metro's Board approved funding the acquisition of new ticket vending devices at all Los Angeles County Metrolink stations in the amount of \$13,074,000 based on initial cost projections. Subsequently, SCRRRA reduced project costs based on revised estimates, indicating cost savings that reduced Metro's share of funding to \$8,074,000. The \$5,000,000 project savings were reprogrammed at Metro's Board meeting on June 28, 2018. After Metrolink awarded the project to INIT, Metro's total project cost increased to \$9,673,242. As such, an additional \$1,599,242 is required to fully fund Metro's share for the Ticket Vending Devices.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

Metrolink's total FY21 Budget request from all JPA Member Agencies consists of Operations subsidy in the amount of \$146.4 million in member agency local and federal funding and \$70.6 million in CARES funding and Rehabilitation in the amount of \$54.3 million.

Metro's share of Metrolink's Operations funding consists of \$74,089,00 in new Proposition C 10% funds and \$35,000,000 to supplement fare revenue loss (in same spirit and terms of CARES) a total of \$109.1 million. Metro's share of Metrolink's FY21 Rehabilitation budget consists of \$17,981,984 in new Measure R 3% funds and \$2,018,016 of Metrolink identified savings from PTIMSEA, rehabilitation and capital funds for a total of \$20 million. These amounts are included in Metro's FY21 Proposed Budget for Board adoption in the same period as this board report.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Staff's recommendation supports strategic plan goal #1.2 to improve L.A. County's overall transit network and assets. Metro will work with the Southern California Regional Rail Authority (SCRRRA) to provide more frequent and reliable Metrolink services, improve customer satisfaction, and support

better transit connections throughout the network.

ALTERNATIVES CONSIDERED

As a member of the JPA, Metro is required to approve its annual share of the SCRRA budget. The Metro Board could elect to authorize an increased budget amount. However, staff does not recommend an increase budget amount due to COVID-19 pandemic that significantly reduced sales tax revenue.

NEXT STEPS

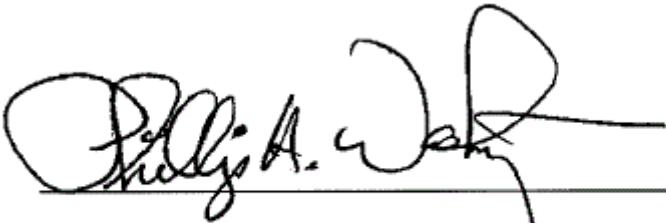
Staff will work with Metrolink to continue to monitor the fare revenue losses and incorporate FY20 actuals results to determine appropriate Board action should there be a requirement for a mid-year budget adjustment to mitigate Metro's share of Metrolink's fare revenue losses. The Metrolink Board is scheduled to adopt its FY21 Budget on September 25, 2020. Metro staff will monitor implementation of SCRRA's budget and report back to the Metro Board with any issues requiring Board action.

ATTACHMENTS

- Attachment A - Metro Share of Metrolink Programming for FY 2020-21
- Attachment B - FY21 Metrolink Proposed Priority Project List
- Attachment B - Metrolink FY 2020-21 Budget Transmittal

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