



Board Report

File #: 2020-0919, **File Type:** Policy

Agenda Number: 7.

**FINANCE, BUDGET AND AUDIT COMMITTEE
MARCH 17, 2021**

**SUBJECT: CORONAVIRUS RESPONSE AND RELIEF SUPPLEMENTAL APPROPRIATIONS
(CRRSA) ACT FUNDING**

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. APPROVING the allocation of \$784,942,958 from Los Angeles County’s partial share of Federal Transit Administration (FTA) Section 5307/ Section 5337 funds from the CRRSA Act to transit operators, as described in Attachment A, for operating expenses;
- B. AUTHORIZING the Chief Executive Officer (CEO) or his designee to solicit proposals and allocate \$1,327,107 from Los Angeles County’s share of FTA funds from the CRRSA Act, as described in Attachment B, to Metro’s existing subrecipients of Federal Section 5310 funds for operating expenses;
- C. AUTHORIZING the CEO to allocate Los Angeles County’s share of FTA Section 5311 funds from the CRRSA Act (estimated to be about \$1,127,870) for transit service in rural areas upon notification by the California Department of Transportation (Caltrans), as described in Attachment B, for operating expenses;
- D. APPROVING exchanges of CRRSA Act funding allocations, as appropriate, with other local or eligible State or Federal funds to accelerate grant approval and disbursement of funds by the FTA;
- E. AUTHORIZING the CEO or his designee to negotiate and execute all necessary agreements to implement Board approved support of transit programs in Los Angeles County; and
- F. DELEGATING to the CEO or his designee the authority to administratively approve minor changes to the allocations to reflect any revisions made by the Southern California Association of Governments (SCAG), FTA and/or Caltrans that may impact Los Angeles County’s share of the funds.

ISSUE

Public transportation systems nationwide continue to face challenges including to ridership, revenue, and overall operations due to the negative impacts of the Coronavirus pandemic (COVID-19). The CRRSA Act makes available \$14 billion nationwide for transit operators to prevent, prepare for, and respond to COVID-19. As the County Transportation Commission (CTC) for Los Angeles County, Metro is responsible for allocating Los Angeles County's share of CRRSA Act funds to transit agencies to support the continuing provision of safe and reliable service in our region for essential workers and other riders who depend on public transportation to meet their travel needs.

The FTA apportioned \$954,900,781 in Section 5307/ Section 5337 funds to the Los Angeles-Long Beach-Anaheim Urbanized Area (UZA), which comprises areas in Los Angeles, Orange, San Bernardino, Riverside and Ventura counties. SCAG, as the federally "Designated Recipient" of the funds, shared early February the inter-county allocation methodology and corresponding funding allocation for each county with the CTCs in the region for their review and concurrence. Staff concurred with SCAG's staff proposed methodology as it is fair, transparent, and implements the intent of the CRRSA Act. The Orange County Transportation Authority (OCTA), San Bernardino County Transportation Authority (SBCTA) and Riverside County Transportation Commission (RCTC) asked SCAG to reconsider the proposed methodology but supported the allocation of a portion of the funding "not in dispute". The balance of \$126,838,551 is the amount these agencies dispute, as per SCAG's proposed methodology would be allocated to Los Angeles County. SCAG staff took their recommendation to the Regional Council for approval at its March 4, 2021 meeting. The item was pulled from the consent calendar, with direction from the Regional Council's President to move forward with the partial "Round 1" inter-county allocation of \$828,062,230. SCAG staff will seek approval for the allocation of the balance of the funds from the Regional Council at its April 1, 2021 meeting.

BACKGROUND

The CRRSA Act, signed into law on December 27, 2020, appropriated \$14 billion for transit nationwide, to remain available until expended, for eligible expenses incurred starting on January 20, 2020. These funds are in addition to the \$25 billion that were appropriated by the "Coronavirus Aid, Relief, and Economic Security Act" (CARES Act) that was signed into law on March 27, 2020. The Metro Board approved the allocation of Los Angeles County's share of CARES Act funds totaling about \$1.069 billion at its May 28, 2020 regular meeting.

DISCUSSION

On January 11, 2021, the FTA released the funding apportionments for UZAs and states nationwide. Following the publication of the apportionments, the FTA hosted a series of webinars through January 14, 2021 to describe eligibility requirements and answer questions about the funding allocation and grant application processes. Staff's January 19, 2021 Board Box summarized the transit provisions of the CRRSA Act, as well as our agency's outreach and inter-agency consultation efforts.

Transit Funding Apportionments and Los Angeles County's Allocations

Attachment B summarizes the CRRSA Act transit apportionments and Los Angeles County's share of the funds that Congress appropriated for the FTA's Section 5307 UZA Formula Grants, Section 5311 Formula Grants for Rural Areas, and Section 5337 State of Good Repair Grants programs. The funding allocations for Los Angeles County from Section 5307/ Section 5337 (including partial "Round 1" allocations) and Section 5310 are per the methodology proposed by SCAG to Metro and other CTCs in the SCAG region. Los Angeles County's share of Section 5311 funds assumes Caltrans will use the same allocation process as for the CARES Act. The CRRSA Act requires the FTA to apportion the \$14 billion in transit funds, after a set aside of up to \$10 million for its program management and oversight, according to the existing shares and apportionment formulas for the following programs:

Section 5307 and Section 5337- About \$13.26 billion has been apportioned to UZAs nationwide. The apportionments are adjusted such that no UZA receives additional funding from the CRRSA Act when the combined Section 5307 and Section 5337 apportionments from the CARES Act and the CRRSA Act within the UZA exceeds 75% of the aggregated 2018 operating costs as reported by individual transit operators within the UZA to the National Transit Database (NTD).

Per the FTA, the apportionments are: i) \$954,900,781 for the Los Angeles-Long Beach-Anaheim UZA, which comprises most of Los Angeles County and parts of Orange, Riverside, San Bernardino, and Ventura counties; and, ii) \$224,351 for the Santa Clarita UZA, which is fully comprised within Los Angeles County. The combined share of Los Angeles County requested to be allocated by the Metro Board from the apportionment to the Los Angeles-Long Beach-Anaheim and the Santa Clarita UZAs, while taking into consideration SCAG's limitation for "Round 1" allocations, is \$784,942,958.

Section 5310- About \$50 million has been apportioned to UZAs and States (for UZAs with populations less than 200,000 and for non-UZAs) nationwide for the Enhanced Mobility of Seniors and Individuals with Disabilities Program. Per the FTA, the apportionments are: i) \$1,629,631 for the Los Angeles-Long Beach-Anaheim UZA; ii) \$41,990 for the Lancaster- Palmdale UZA, which is fully comprised within Los Angeles County; and, iii) \$30,300 for the Santa Clarita UZA. The share of Los Angeles County from the apportionment to the Los Angeles-Long Beach-Anaheim UZA, per SCAG's inter-county allocation methodology of the funds, is \$1,254,817.

Section 5311- About \$679 million has been apportioned to States for rural areas nationwide. The CRRSA Act requires apportionments to be adjusted such that no State receives additional funding when the combined Section 5311 apportionments from the CARES Act and the CRRSA Act for individual transit operators in rural areas within the State exceeds 125% of the 2018 operating costs as reported by individual transit operators in rural areas within the State to the NTD. Per the FTA, California will receive \$74,423,500. Los Angeles County's share of the funds is estimated to be \$1,127,870. Caltrans has not finalized the allocation methodology. Staff recommends Caltrans using the same county CARES Act percentage shares for the allocation of CRRSA Act funds.

Funding Eligibility

The CRRSA Act makes funds available for the “operating expenses of transit agencies related to the response to a COVID-19 public health emergency, including, beginning January 20, 2020, reimbursement for operating costs to maintain service and lost revenue due to the COVID-19 public health emergency, including the purchase of personal protective equipment (PPE), and paying the administrative leave of operations or contractor personnel due to reductions in service”. It requires, “to the maximum extent possible”, CARES Act and CRRSA Act funds to be directed to payroll and operations of public transportation (including payroll and expenses of private providers, as eligible subrecipients), unless the recipient certifies to the U.S. Secretary of Transportation that it has not furloughed any employees. The funds are available until expended (on a reimbursement basis by the FTA) for up to 100% of eligible expenses.

Stakeholder Outreach

On January 7, 2021, the CEO sent a letter to transit operators in our region to provide a brief update on the CRRSA Act, including our agency’s current and anticipated actions. Among these actions, the CEO referred to: i) Metro staff working closely with federal and regional counterparts to determine Los Angeles County’s share of the funds that will ultimately be subject to distribution by the Metro Board; ii) recipients of CARES Act funds to draw down their allocations as quickly as possible to help position Los Angeles County for any future new stimulus funding; and iii) Metro conducting a series of outreach meetings to gather input and discuss the allocations that Metro staff will be recommending to the Board of Directors for approval.

Staff reached out to SCAG on the timeline for completing the inter-county allocation of Section 5307/ Section 5337 funds, as well as of Section 5310 funds, apportioned to the Los Angeles-Long Beach-Anaheim UZA. Staff also reached out to Caltrans to inquire about the timeline for completing the statewide allocation of Section 5311 funds. Staff also presented to the General Managers (GM), Bus Operations Subcommittee (BOS), Local Transit Systems Subcommittee (LTSS), and Accessibility Advisory Committee (AAC). The CEO also sent a letter to SCAGs’ Executive Director supporting the proposed inter-county allocation methodology. Staff also briefed members and staff of elected officials that represent Los Angeles County in SCAG’s Regional Council. Staff also reached out to transit operators in the region asking to express their support.

Following SCAG’s Regional Council meeting, the CEO sent letters to transit operators in Los Angeles County to brief them about SCAG’s partial allocation of the funds and Metro’s proposed methodology to allocate our region’s share of the CRRSA Act funds. The CEO’s letter also included the estimated funding allocation from the CRRSA Act for each transit operator. Following a staff presentation, the GM concurred with Metro’s proposed methodology and allocations for transit operators at their March 10, 2021 meeting.

Funding Allocations

At its May 2020 meeting, the Metro Board approved the allocation of CARES Act funding premised on the countywide reduction in anticipated sales tax revenues available to support transit programs throughout the county. Further consideration was given to the projected loss in associated operating

and ancillary revenues of operators. As included in its title, the CRRSA Act is a “supplemental” allocation to the original CARES Act. The initial conditions prompting Board approval for the CARES Act allocation of funds have remained largely unchanged. Economic activity continues to lag conditions prior to the onset of the pandemic and transit ridership remains at historic lows. Though the introduction of the vaccines provides a positive indicator for future recovery, staff believe the original premise for allocating the CARES Act remains the best basis for the allocation of CRRSA Act funds.

SCAG’s notice to Metro and other CTCs in the region about its inter-county allocation methodology highlighted that the CRRSA Act limits the total combined CARES Act and CRRSA Act allocations for UZAs to 75% of the total 2018 operating costs reported to the NTD. With this requirement into consideration, SCAG indicated that it followed the same methodology as in the CRRSA Act for allocating the Section 5307/ Section 5337 funds. SCAG staff recommended its Regional Council to approve this methodology.

SCAG followed the existing process for the inter-county funding allocation of CRRSA Act apportionments to the Los Angeles-Long Beach-Anaheim UZA from the FTA’s Section 5310 Program among Metro and other CTCs in the region, as the CRRSA Act does not link the operating expenses reported to the NTD in 2018 to the Section 5310 apportionment that an UZA receives.

Staff concurred with SCAG’s methodology for the inter-county allocation of CRRSA Act funds apportioned to the Los Angeles-Long Beach-Anaheim UZA from the FTA’s Section 5307/ Section 5337 and Section 5310 programs.

Included in Metro’s proposed allocation methodology of Los Angeles County’s share of CRRSA Act funds from the Section 5307/ Section 5337 programs are funding allocations for Metro and the Municipal Operators, Metrolink, Access Services, as well as local and regional small operators and countywide transit programs. The allocation shares of each transit operator/agency from Los Angeles County’s share of Section 5307/ Section 5337 funds apportioned to the Los Angeles-Long Beach-Anaheim UZA will be the same as for the CARES Act. The Section 5307/ Section 5337 apportionment to the Santa Clarita UZA is to be fully allocated to Santa Clarita Transit. Attachment A includes the allocations of Los Angeles County’s share of Section 5307/ Section 5337 funds from the CRRSA Act. Attachment B describes the proposed allocation of Los Angeles County’s share of Section 5310 and Section 5311 funds from the CRRSA Act.

CARES Act Funding Drawdown Update

Attachment C summarizes the drawdowns of CARES Act funds by transit operators in Los Angeles County through March 1, 2021. Transit operators in Los Angeles County have collectively drawn down over 95% of their CARES Act allocations. A balance of about \$51 million in CARES Act funding remains to be drawn down by ten of the Municipal Operators. Based on discussions with transit operators with balances that remain available for disbursements by the FTA, the common reasons are mostly administrative. Some agencies reported having already spent all their CARES Act allocations, with requests for reimbursement being finalized for submittal to the FTA. Drawing down the CARES Act funding demonstrates Los Angeles County’s needs and better positions our region and transit operators to receive additional stimulus funding.

DETERMINATION OF SAFETY IMPACT

Adoption of this item will provide funding for increased safety efforts by providing continued supplemental relief funding to Los Angeles County transit agencies impacted by the pandemic, ensuring resources available to continue enhanced cleaning routines, access to PPE, and maintaining service levels.

FINANCIAL IMPACT

A total of \$784,942,958 in CRRSA Act funding will be distributed to transit agencies throughout Los Angeles County as shown in Attachment A. The additional estimated total of \$2,454,977 in CRRSA Act funding will be allocated as described in Attachment B. Los Angeles County's share of CRRSA Act funding, taking into consideration partial "Round 1" allocation, is estimated to be \$787,397,935.

Impact to Budget

Use of the CRRSA Act funds will continue to help mitigate, but not eliminate the funding gaps experienced by transit operators throughout Los Angeles County.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

1. Provide high-quality mobility options that enable people to spend less time traveling;
2. Deliver outstanding trip experiences for all users of the transportation system;
3. Enhance communities and lives through mobility and access to opportunity;
4. Transform Los Angeles County through regional collaboration and national leadership; and
5. Provide responsive, accountable, and trustworthy governance within the Metro organization.

ALTERNATIVES CONSIDERED

The Board may choose not to approve the staff's proposed CRRSA Act funding allocation method and instruct staff to allocate funds through some other Board directed process. This is not recommended, as this will cause significant delays in the receipt of funds for all transit operators and agencies in Los Angeles County.

NEXT STEPS

Should the Board approve the staff recommendation:

- Staff will work with operators and agencies on final administrative requirements and fund distribution details;
- Staff will notify SCAG of the allocation of Los Angeles County's share of the CRRSA Act funds for inclusion in its "split letter" to the FTA;
- SCAG will send the "split letter" to the FTA to allow the designated recipients of the funds to submit grant applications to the FTA for approval and begin drawing down CRRSA Act funding; and

- Staff will follow up with SCAG, transit operators in Los Angeles County, and members and staff of elected officials that represent Los Angeles County in SCAG's Regional Council regarding the allocation of the balance of \$126,838,551 from the CRRSA Act.

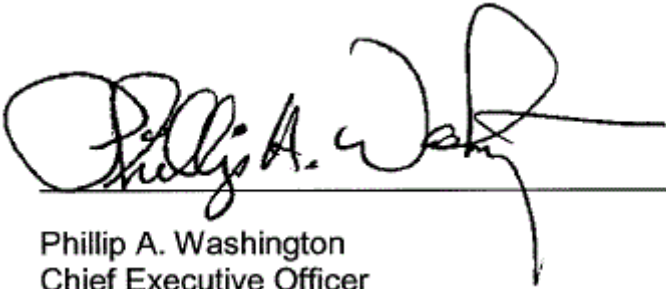
Staff will also continue to update the Board on the impacts of the COVID-19 pandemic to Metro and the region, as well as bring for approval the allocation of Los Angeles County's share of the funds from the American Rescue Plan that Congress approved earlier this month.

ATTACHMENTS

- A. CRRSA Act Funding Allocation by Transit Operator/Agency
- B. CRRSA Act Apportionments and Los Angeles County's Share of the Funds
- C. CARES Act Funding Drawdown Update

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