



Board Report

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Agenda Number: 20.

**FINANCE, BUDGET, AND AUDIT COMMITTEE
SEPTEMBER 18, 2019**
SUBJECT: METROLINK ADDITIONAL FY 2020 FUNDING**ACTION: APPROVE RECOMMENDATIONS****RECOMMENDATION**

CONSIDER:

- A. REPROGRAMMING \$2,088,793 of forecasted FY 2018-19 (FY19) surplus to fund the Southern California Regional Rail Authority's (SCRRA operated as "Metrolink") FY 2020 CEO Workplan; and
- B. AMENDING and APPROVING Metro's revised share of the FY 2019-20 (FY20) Metrolink Budget for a new total programming amount of \$119,976,796.

ISSUE

Metrolink is requesting approval of \$3.75 million of their forecasted FY 19 year end surplus be reprogrammed and carried forward into the Metrolink FY 20 Operating Budget. Metro's share of the \$3.75 million is \$2,088,793 which would increase Metro's FY 20 Metrolink funding share to a new total programming amount of \$119,976,796. The Metro Board approved Metro's funding share of the Metrolink FY 20 budget in the amount of \$117,888,003 at the Board of Directors meeting on May 23, 2019. As a member of the Metrolink Joint Powers Authority, Metro is required to approve Metro's funding share of the Metrolink budget on an annual basis. Staff's recommended Board action will increase Metro's funding share of the Metrolink FY 20 budget by \$2,088,793 from \$117,888,003 to \$119,976,796.

DISCUSSION

Metrolink staff analyzed their FY 19 budget actual revenue and expenditures in comparison to their adopted budget and identified an FY 19 forecasted budget surplus of \$7.5 million as of May 31, 2019. The FY 19 forecasted budget surplus is a result of lower than budgeted operational expenditures amounting to a cost savings of \$10.1 million. However, Metrolink is forecasting a revenue shortfall of \$2.5 million which is being deducted from the \$10.1 million for a net forecasted surplus of \$7.5 million.

Metrolink is requesting to use 50% of the FY 19 forecasted surplus, totaling \$3,734,202 to focus on

improved fiscal sustainability, strengthened partnerships with member agencies and modernization of business practices by supporting the Metrolink CEO Initiatives of updating the strategic business plan, exploratory rebranding studies and promoting an operational excellence program (refer to Attachment A-Metrolink’s Update on Forecasted Comparative Operating Statement dated June 25, 2019).

Metrolink’s preliminary allocation of the forecasted surplus by Member Agency is presented below in Table 1.

TABLE 1: FORECASTED SURPLUS BY MEMBER AGENCY (as of 5/31/19)

Member Agency	Metro	OCTA	RCTC	SBCTA	VCTC	TOTAL
Forecasted Surplus	\$4,177,585	\$1,649,452	\$722,940	\$652,775	\$265,653	\$7,468,404
Metrolink’s 50% surplus request	\$2,088,793	\$824,726	\$361,470	\$326,388	\$132,826	\$3,734,202

Generally, Metrolink identifies member agency surplus through their year-end budget closing process and completion of their annual audit and Comprehensive Annual Financial Report (CAFR) in December 2019. Upon completion of Metrolink’s annual audit and CAFR, Metrolink notifies the member agencies that there are surplus funds available to reprogram or refund to the member agencies. Metro routinely reprograms the surplus funds to future fiscal year operating costs to reduce Metro’s operating contribution.

Metro’s share of the FY 19 forecasted surplus is \$4,177,585 of which \$2,088,793 will be reprogrammed and budgeted to be used for the CEO Initiatives. Metrolink will provide monthly reporting of the CEO Initiatives to the Member Agency Advisory Committee.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

Reprogramming Metro’s share of the FY 19 forecasted surplus totaling \$2,088,793 to fund the CEO Workplan would not require any additional funding from Metro since Metrolink already has the funds in their possession. If the actual surplus is less than \$7.5 million after Metrolink completes their year-end close, there should be enough surplus funding available to absorb the difference.

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 staff will work with the Southern California Regional Rail Authority to provide more frequent and reliable Metrolink services, improve customer satisfaction, and support better transit connections throughout the region.

ALTERNATIVES CONSIDERED

As a member of the SCRRA JPA, Metro is required to approve its share of the SCRRA budget. However, the Metro Board could elect to decline approving this additional funding. Metro staff does not recommend declining an approval of staff's recommendation as it is important to support the Metrolink CEO's Initiatives of customer focused operation, doubling ridership in 5 years and reducing member agency subsidy.

NEXT STEPS

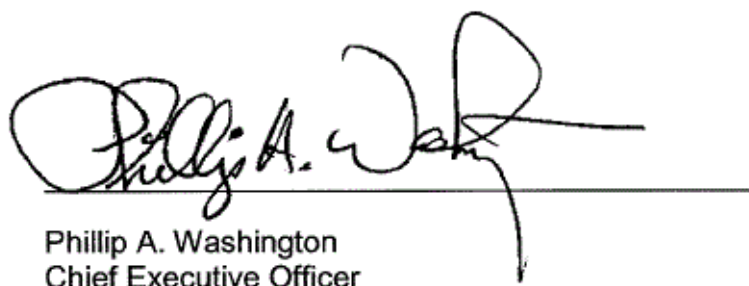
Staff will continue to work collaboratively with Metrolink and monitor implementation of SCRRA's budget and programs. Metro staff will report back to the Metro Board with any issues requiring Board action.

ATTACHMENTS

Attachment A - Metrolink's Update on Forecasted Comparative Operating Statement dated June 25, 2019

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