



Board Report

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**FINANCE, BUDGET AND AUDIT COMMITTEE
JUNE 14, 2023**

**SUBJECT: METROLINK FY24 ANNUAL WORK PROGRAM AND REGIONAL RAIL
SUPPORTIVE ACTIONS**

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. APPROVING programming the Los Angeles County Metropolitan Transportation Authority’s (“Metro”) share of the Southern California Regional Rail Authority’s (SCRRA) FY 2023-24 Operating, Rehabilitation, and Capital Budget in the amount of \$199,400,319 as described in Attachment A;
- B. APPROVING programming of \$29,290,000 to SCRRA for a Working Capital Long-Term Loan, contingent upon SCRRA Board approval of a loan repayment policy addressing terms and conditions;
- C. AUTHORIZING the Chief Executive Officer to execute Modification No. 1 to the Regional Rail Planning and Environmental On-Call Services bench Contract Nos. AE56752000 through AE56752005 to increase the not-to-exceed cumulative contract amount by \$15,000,000 from \$10,000,000 to \$25,000,000 in support of various Board and CEO directed Metrolink station and planning feasibility studies, and 2028 Olympics planning efforts;
- D. APPROVING the programming of \$500,000 to SCRRA for FY 2023-24 supplemental Right-Of-Way (ROW) maintenance along Metro-owned property;
- E. EXTENDING the lapsing dates for funds previously allocated to SCRRA for State of Good Repair (SOGR) Memoranda of Understanding (MOUs) as follows:
 - FY 2017-18 SOGR program extended from March 30, 2024 to June 30, 2025
 - FY 2018-19 SOGR program extended from June 30, 2023 to June 30, 2025
 - FY 2019-20 SOGR program extended from June 30, 2023 to June 30, 2025;
- F. APPROVING the FY 2023-24 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 SCRRA for the approved funding.

ISSUE

Metro is a member of the SCRRA Joint Powers Authority (JPA), operator of the “Metrolink” regional commuter rail service. The JPA requires member agencies to approve their share of the SCRRA budget on an annual basis, including Metrolink Operations, SOGR, and New Capital projects. SCRRA transmitted the FY 2023-24 budget to the JPA member agencies on May 26, 2023 (Attachment A). SCRRA is seeking member agency approval before adopting their FY 2023-24 budget on June 23, 2023.

BACKGROUND

SCRRA operates the Metrolink commuter rail service within Los Angeles County and the surrounding counties of Orange, Riverside, San Bernardino and Ventura, and northern San Diego County. Metrolink service is complemented by the Los Angeles - San Diego - San Luis Obispo (LOSSAN) intercity rail corridor operated by Amtrak and will connect directly into the future high speed rail network being built by the California High Speed Rail Authority and Brightline West.

Metro, as the regional transportation planning agency for LA County, works with Metrolink and other rail operators to plan and develop a more holistic, seamless, and multimodal approach to moving people through LA County and southern California between local communities and regional destinations. A majority of Metrolink’s budget derives from funding allocated by the Metro Board of Directors, of which four members serve as Board members for Metrolink. This report includes staff recommendations for funding Metro’s contribution to the FY2024 Metrolink budget.

Metro’s ability to deliver better mobility, air quality, and economic opportunity for LA County residents depends in part on an effective working relationship with Metrolink, LOSSAN, and other transit operators in the region. To that end, the CEO created the Multimodal Integrated Planning (MIP) unit in the Countywide Planning and Development Department to better align and coordinate planning for and with Metrolink, LOSSAN and other rail operators so that Metro can better serve local communities and improve LA County’s regional transportation system.

The MIP unit will be responsible for managing the overall various Board directed planning studies relating to the Class 1 commuter, intercity and freight rail corridors in Los Angeles County and the communities they serve. The current Regional Rail Planning and Environmental On-Call Services Bench Contracts, used to fund Metrolink-related and other planning studies, are at capacity. This report includes recommendations to provide staff the necessary additional funding to advance mission critical projects such as 2028 Olympics planning efforts and to support the delivery of Board-directed studies and development of the MIP unit, consistent with the Metro Vision 2028 Strategic Plan.

DISCUSSION

RECOMMENDATION A

Recommendation A will provide \$199,400,319 in funding for Metro’s JPA member agency share of SCRRA’s FY 2023-24 Budget, consisting of \$126,410,472 for Metrolink Commuter Rail Operations

and \$72,989,847 combined for SOGR and New Capital projects.

Metrolink Commuter Rail Operations - \$126,410,472

SCRRA’s total FY 2023-24 Budget request for Metrolink Commuter Rail Operations from all JPA Member Agencies is \$250,658,882. Metro’s share of Metrolink Commuter Rail Operations is \$126,410,472 which is a \$8,459,045 increase (7.2%) over FY23 funding levels (see Table 1 below). The increase in Commuter Rail Operations is attributable to costs related to increased fuel, annual fixed operating contract escalators of 3% to 5%, increased equipment maintenance, system security, and maintenance of way as well as the loss of fare revenue due to a 50% reduction in ridership attributed to the COVID pandemic.

No fare increases or further service restoration is budgeted for FY 2023-24. The member agencies continue to work collaboratively with SCRRA to ensure that appropriate and cost effective service levels are implemented as Metrolink continues to see gradual ridership recovery from the COVID pandemic. Depending upon the results of the Metrolink Service Growth Restoration Plan, to be finalized Fall 2023, SCRRA and the member agencies may wish to have discussions regarding future service level increases or adjustments to occur as early as Fall 2023. If so, that would require a future budget amendment and Metro Board action.

METROLINK OPERATIONS BUDGET SUMMARY (\$000)							
	FY23		FY24		DIFFERENCE	CHANGE %	
Expenses	\$	296,324,218	\$	303,438,180	\$	7,113,962	2.4%
Revenues	\$	66,523,481	\$	52,779,298	\$	(13,744,183)	-20.7%
Member Agencies Subsidy	\$	229,800,737	\$	250,658,882	\$	20,858,145	9.1%
Metro Subsidy	\$	117,951,427	\$	126,410,472	\$	8,459,045	7.2%
Metro Share of Subsidy		51.3%		50.4%			

SOGR and New Capital Projects - \$72,989,847

Through the annual budget process, SCRRA requests SOGR and New Capital project funding which will maintain the Metrolink commuter rail system in a state of good repair, ensure safety and reliability, and improve service. Metrolink’s FY 2023-24 total SOGR and New Capital budget request from all the JPA member agencies is \$146,096,000, consisting of \$126,305,000 for SOGR and \$19,791,000 for New Capital Projects (see SOGR and New Capital Project List in Attachment A). Metro’s share is \$72,989,847 (of the total \$146,096,000) for the FY 2023-24 Rehabilitation and Capital projects, consisting of the following:

- \$34,755,122 for 18 systemwide SOGR projects, costs to be shared by all the JPA member agencies, for projects such as rebuilding and rehabilitating Bombardier rail cars and rolling stock as a whole, track rehabilitation, positive train control enhancements, back-office communications, replacing MOW vehicles and equipment and rehabilitating building facilities;
- \$28,593,600 for nine (9) line specific projects on the Antelope Valley, San Bernardino and Ventura County Lines to rehabilitate bridges, culverts and tunnels, track, ties, ballast and crossing replacements, and signal, crossing and communication systems;
- \$9,621,125 for nine (9) systemwide New Capital Projects for projects such as new non-

revenue fleet vehicles and to leverage grant funds for the purchase of eight (8) new locomotives.

Metro staff has been working collaboratively with SCRRA and the other member agencies to review Metrolink's FY24 SOGR and New Capital programs, which align with the JPA member agencies' funding commitments. Staff continue to work with SCRRA to prioritize urgent SOGR track, bridges, culverts, structures, and signal projects to maintain safety and service reliability.

RECOMMENDATION B

Working Capital Long-Term Loan

SCRRA has asked the member agencies for a \$50,000,000 Working Capital Long-term Loan which would be used to provide SCRRA with sufficient funding to advance capital projects. This loan will enable SCRRA to quickly award contracts for design and construction of critical projects, stay on schedule, and avoid cash flow issues. Some of the large-scale projects SCRRA will be advancing during FY 2023-24 include the Southern California Optimized Rail Expansion (SCORE) mega program in advance of the 2028 Olympics, and the Antelope Valley Line Capital Improvements Program.

The loan requires approval of all five member agency counties. Recommendation B will program \$29,290,000 for Metro's portion of the loan. Metro approval of the working capital loan is contingent upon SCRRA Board adoption of a loan repayment policy, articulating loan terms, permitted uses, cost allocation methodology, reporting requirements, and other funding agreement details, to ensure transparency and accountability.

RECOMMENDATION C

Regional Rail Planning and Environmental On-Call Services Contracts

In May 2019, the Metro Board approved \$10M base term funding for the Regional Rail Planning and Environmental On-Call Services Bench contracts, which expire in August 2024. The bench contracts included 2 option terms, each of which provide an additional \$2M in contract authority, for a maximum contract authority of \$12M through August 2025 (Option 1) and \$14M through August 2026 (Option 2), if the options are exercised in the future.

Task orders for the contracts have been awarded in the amount of \$5.9M to date. \$4.1M in contract authority remains and will expire in August 2024. \$4.8M in additional task orders waiting to be issued, pending Board approval of additional contract authority funding.

In Recommendation C, an additional \$15M in Regional Rail Planning contract authority is requested from the Board to support Regional Rail related studies which address multiple Board directives as shown in Attachment B. These studies include critical, time-sensitive planning and preliminary design work for priority projects/programs identified in the 2028 Olympics Mobility Concept Plan. Funds requested have also included contingency for future needs.

With Board approval of Recommendation C, the overall Regional Rail Planning base term contract

authority will increase from \$10M to \$25M.

RECOMMENDATION D

Supplemental ROW Funding

Metro provides additional funding to SCRRA to maintain Metro-owned ROW that is not part of the SCRRA annual budget. This includes services such as trash removal, graffiti abatement, fence repair, homeless encampment removal, tree trimming, and weed abatement. The base budget for FY 2023-24 for these services is \$1,195,916.50. SCRRA has requested additional funding to provide a more comprehensive and quicker response to address growing ROW Maintenance needs, particularly homeless encampment related. During FY 2018-19 through FY 2021-22 Metro provided an additional \$500,000 annually to enhance Metro ROW funding to SCRRA.

Recommendation D will reinstate the \$500,000 supplemental ROW funding for FY 2023-24. Metro partners closely with SCRRA, the City of Los Angeles, law enforcement and other local agencies to address homeless encampment issues along the Metro-owned ROW.

RECOMMENDATION E

Extend Lapsing Dates for Three SOGR MOUs

SCRRA rehabilitation/renovation and capital projects maintain system safety, ensure state of good repair, and modernize the Metrolink system span over a five-year project delivery program for most projects. Recommendation E will extend three SCRRA SOGR MOUs which would otherwise lapse in 2023. Due to unforeseen material supplier delays and project work delays, time extensions are being requested. SCRRA indicated that their work is in progress, many projects are close to completion and will be completed and invoiced by the requested extension date.

RECOMMENDATION F

Transfers to Other Operators' Reimbursement Rate to Metro

SCRRA reimburses Metro for Metrolink riders who transfer to and from Metro services at no charge, including the rail system at Union Station, through the EZ Transit Program. Recommendation F will affirm the staff recommendation that the reimbursement rate to Metro remains at \$1.10 for FY 2023-24, the same as for FY 2022-23, and that the current EZ Transit Pass cap of \$5,592,000 be honored.

DETERMINATION OF SAFETY IMPACT

Approval of this item will improve safety for Metrolink passengers and local communities in which Metrolink operates. All Metrolink operations, SOGR and new capital projects will be done in accordance with applicable FRA, CPUC and other regulatory standards. Through approval of this item Metro will be funding safety-related improvements on the Metrolink system to support the safer travel of LA County residents and visitors.

FINANCIAL IMPACT

Recommendation A will provide \$199,400,319 to fund Metro's commitment to SCRRA for the FY 2023-24 Metrolink Annual Work Program. Metro's share of Commuter Rail Operations will be funded with \$126,410,472 in new Proposition C 10% / Measure M 1% funds which are designated for commuter rail. Metro's FY24 Budget will be amended in accord with Recommendation A.

SOG and New Capital will be funded with \$72,989,847 in new Measure R 3% funds which are designated for commuter rail capital programs. This is a programming action where capital expenditures will occur over multiple years and the Cost Center Manager will be responsible for annual budget funding allocations.

Recommendation B, contingent on approval by all five member agencies, will lead to the creation of a funding agreement, plus a SCRRA Board policy for the Working Capital Long-Term Capital Loan, to include terms and conditions for repayment to Metro and the JPA member agencies.

Recommendation C is programming action where project expenditures will occur over multiple years and the Cost Center Manager will be responsible for annual budget funding allocations.

EQUITY PLATFORM

The recommendations support SCRRA's Metrolink commuter rail operations, providing residents, workers, students, and families with a regional public transportation option to access jobs, resources and services across the Greater Los Angeles region. Metrolink enables residents who may not be able to afford to live in high cost areas to still access quality jobs and services in those areas while living in more affordable neighborhoods. These neighborhoods include Equity Focus Communities, such as Palmdale/Lancaster, the East San Fernando Valley, El Monte, Pomona, and Gateway Cities.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The recommendations support the Metro Vision 2028 Strategic Plan goals 1, 4 and 5 as follows:

- Goal 1.2: Invest in a world-class transit system that is reliable, convenient, and attractive to more users for more trips;
- Goal 4.1 Work with partners to build trust and make decisions that support the goals of the Vision 2028 Plan;
- Goal 5.2 Exercise good public policy judgment and sound fiscal stewardship.

ALTERNATIVES CONSIDERED

The Metro Board could authorize a different budget amount than what SCRRA has transmitted for FY 2023-24. However, staff does not recommend a different budget amount since Metro has worked closely with SCRRA and the member agencies to create a balanced and pragmatic FY 2023-24 budget request which maintains current service levels, and ensures sufficient SOGR to meet safety, service, and reliability needs.

The Metro Board could authorize less than a \$15M increase to the Regional Rail Planning and Environmental On-Call Services Contracts. This is not recommended since \$15M in additional Board

and/or CEO directed planning work has been identified. Without the \$15M requested increase in contract authority, highly time-sensitive Olympics planning and design work for the 2028 Mobility Concept Plan projects and programs would be delayed.

NEXT STEPS

The SCRRA Board is scheduled to adopt their FY 2023-24 budget on June 23, 2023. Metro staff will monitor the implementation of SCRRA's budget and report back to the Metro Board with any issues requiring Metro Board action. Metro is firmly supportive and committed to being a strategic partner with SCRRA.

The SCRRA Board is also expected to consider the establishment of a new Working Capital Long-Term Capital Loan policy on July 28, 2023. Metro will also work with SCRRA to develop a funding agreement for the working capital loan.

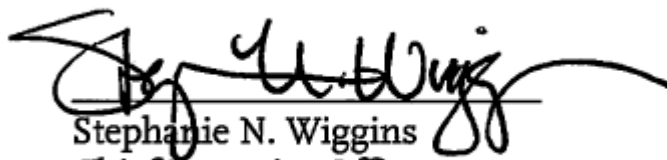
Upon Board approval, staff will execute Modification No. 1 to the Regional Rail Planning and Environmental On-Call Services Bench Contract Nos. AE56752000 through AE56752005 to increase the not-to-exceed cumulative contract amount by \$15,000,000. Metro will expeditiously issue and award task orders against the Regional Rail Planning and Environmental On-Call Services Bench contracts to continue 2028 Mobility Concept Plan planning efforts and initiate various Metrolink planning related studies during FY 2023-24. Staff will report back to the Board with regular updates.

ATTACHMENTS

- Attachment A - SCRRA FY 24 Budget Transmittal
- Attachment B - Regional Rail Planning and Environmental On-Call Services Summary
- Attachment C - Procurement Summary
- Attachment D - Contract Modification/Change Order Log
- Attachment E - DEOD Summary

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