



Board Report

File #: 2016-0433, **File Type:** Program

Agenda Number: 18

**FINANCE AND BUDGET COMMITTEE
JUNE 15, 2016**

SUBJECT: FY 2016-17 METROLINK ANNUAL WORK PROGRAM BUDGET

ACTION: APPROVE METROLINK'S FY 2016-17 ANNUAL WORK PROGRAM AND RELATED ACTIONS

RECOMMENDATION

CONSIDER:

- A. APPROVING the **Southern California Regional Rail Authority's (SCRRA) FY 2016-17 (FY17) Annual Work Program** pursuant to their April 29, 2016, budget transmittal (Attachment A).
- B. APPROVING the Los Angeles County Metropolitan Transportation Authority's (LACMTA) share of SCRRA FY17 Metrolink funding totaling \$88,825,701 for programs detailed in Table 1.
- C. EXTENDING the lapsing dates for funds previously allocated to SCRRA for the Rehabilitation and Renovation Program as follows:
 - FY 2010-11 from June 30, 2016 to June 30, 2017 - \$1,774,223
 - FY 2011-12 from June 30, 2016 to June 30, 2017 - \$2,830,282
 - FY 2012-13 from June 30, 2016 to June 30, 2017 - \$5,024,401
- D. APPROVING the FY17 Transfers to Other Operators payment rate of \$1.10 per boarding to LACMTA and an EZ Pass reimbursement cap to LACMTA of \$5,592,000.
- E. AUTHORIZING the Chief Executive Officer to negotiate and execute all necessary agreements between LACMTA and the SCRRA for the approved funding.
- F. RECEIVING AND FILING update to March 24, 2016 Board Motion 40.1 on Equitable Governance on Southern California Regional Rail Authority.

ISSUE

The SCRRA Joint Exercise of Powers Agreement (JPA) requires the member agencies to annually approve their individual share of Metrolink funding.

DISCUSSION

The Metrolink system provides commuter rail service within Los Angeles County and between Los Angeles County and the surrounding counties of Orange, Riverside, San Bernardino, and Ventura, as well as northern San Diego County.

The SCRRA overall FY17 Budget request for new programming from all Member Agencies consists of \$243.8 million for Commuter Rail operations, \$29.8 million for Rehabilitation and Renovation projects and \$1.3 million for New Capital projects.

LACMTA Contribution

TABLE 1
Requested FY17 LACMTA Share of Metrolink Programming

Proposition C 10% - Operations	Recommended Amount
Commuter Rail Operations	\$71,795,000
Enhanced L.A. County ROW Security	2,360,551
Antelope Valley Line Fare Reduction Program	730,000
Antelope Valley Line 100% Fare Enforcement Program	1,700,000
One-Time Special Events	100,000
Subtotal Proposition C 10%	\$76,685,551
Measure R 3% - Capital	
Rehabilitation and Renovation Program	\$10,000,000
Rotem Reimbursement	1,522,150
Capital Projects Study Reports	618,000
Subtotal Measure R 3%	\$12,140,150
Total New Metrolink Programming	\$88,825,701

Proposition C 10% Funds:**Metrolink Operations - \$71,795,000**

The FY17 Metrolink budget anticipates the operation of 172 weekday and 90 weekend trains, including new service with the 24 mile extension of the 91 Line to Perris Valley in Riverside County. New service consists of three new round trips from South Perris to Los Angeles Union Station and three Riverside intra-county round trips expected to begin June 6, 2016.

For FY17, SCRRA's operating expenses are projected to increase \$3.3 million (1.4%) over FY16 levels. Much of this increase is attributable to a full year of operations on the new Perris Valley Line service, increases in parts purchased for rolling stock, increased mechanical costs, and increased administrative salaries and related fringe benefits.

However, these increases have been offset by reduced insurance costs and decreased Maintenance of Way expenditures.

METROLINK OPERATIONS BUDGET SUMMARY (\$000)				
	FY16	FY17	DIFF.	CHANGE *
Expenses	\$ 240,513	\$ 243,815	\$ 3,302	1.4%
Revenues	\$ 101,457	\$ 102,246	\$ 789	0.8%
Member Agency Subsidy	\$ 139,055	\$ 141,569	\$ 2,514	1.8%
Metro Subsidy	\$ 71,796	\$ 71,794	\$ (2)	0%
Metro Share of Subsidy	51.6%	50.7%		

* Numbers may be subject to minor rounding

For FY17, Riverside County Transportation Commission (RCTC) will incur the majority of the \$2.5 million subsidy increase due to the new Perris Valley Line service. LACMTA's contribution for FY17 Metrolink Operations will not increase but instead remain at the FY16 funding level.

It should be noted that the Metrolink operating subsidy request has dramatically increased over the past five years: an 88% increase in Metro's subsidy since FY12. This trend is not sustainable and exceeds LACMTA's LRTP projection.

Right-of-Way (ROW) Security Services to Be Provided by L.A. Sheriffs (LASD) - \$2,360,551

SCRRA contracts with the LASD to provide core security and fare enforcement services on board trains and at stations. In addition to core security services, LACMTA provides additional subsidy to SCRRA for supplemental LASD services on Metrolink ROW owned by LACMTA. The budget amount for 9.5 full time equivalents (FTEs) is to provide a dedicated security presence along LACMTA owned ROW, and to more quickly respond to incidents along the ROW within Los Angeles County.

Antelope Valley Line Fare Reduction Program - \$730,000

The Antelope Valley Line 25% Fare Reduction Program has been successful in attracting riders to the Metrolink system. The results through March 2016 show that the ridership is up 16% over FY15. However, the revenues are only down 10% which means the program is recovering 90% of the costs.

Metrolink is requesting \$730,000 to continue this program for FY17. This program was initially estimated to cost \$2,500,000 for FY16 and the actual expenditures have resulted in a \$1.8M savings.

Antelope Valley Line 100% Fare Enforcement Program - \$1,700,000

Along with the Fare Reduction program, the 100% Fare Enforcement program has also been successful. The L.A. County Sheriff's report that fare evasion is at 0.5% or lower, down from the estimated 3.5% prior to the programs implementation. Metrolink is requesting \$1,700,000 to continue this program for FY17.

Special Event Services - \$100,000

An additional \$100,000 in funding is requested for the following special events:

- Los Angeles County Fair Trains
- Dodgers/Angels Trains
- Any other special services/events which may occur.

These services provide alternate transportation and reduce congestion for these large scale events which usually occur during peak commuter hours.

Measure R 3% Funds:

Rehabilitation and Renovation Program - \$10,000,000

The SCRRA's Rehabilitation and Renovation program funds State of Good Repair and improvements to infrastructure, the signal system, and the replacement and refurbishment of rolling stock in order to keep the railroad in a state of good repair.

For FY17, SCRRA is requesting programming authority from LACMTA of \$10,000,000 which is expected to be paid over a four year period. Please refer to Attachment A for a list of the FY17 rehabilitation projects.

LACMTA staff still has concerns with project delivery and SCRRA's identification of significant rehabilitation and renovation needs far exceeding the current funding capacities of the member agencies.

For FY16, the Board approved staff's recommendation to withhold SCRRA's \$20 million rehabilitation program funding request due to approximately \$40 million of unspent previously programmed and budgeted rehabilitation funds from LACMTA. Staff has regularly met with SCRRA over the last year and continues to see progress to resolve this issue.

To assist LACMTA in the assessment of Metro owned infrastructure and determining the highest priority rehabilitation and renovation project needs, LACMTA is procuring a consultant from the Regional Rail Bench to review, assess and work with SCRRA to prioritize and develop a scope of work and project delivery schedule to identify what rehabilitation projects can be delivered within the current fiscal year, in the next two years or what will actually require a four year program for all rehabilitation and capital projects. LACMTA staff will return to the Board with recommendations to maintain the state of good repair of the commuter rail system.

Staff will continue to collaborate and work closely with SCRRA to develop a realistic rehabilitation, renovation and state of good repair program that benefits Los Angeles County and the Metrolink system as a whole.

OCTA/Rotem Rolling Stock Acquisition - \$1,522,150

The Orange County Transportation Authority (OCTA) purchased 22 rails cars for inter-county service which were later incorporated into the system-wide fleet. The member agencies reached an

agreement that OCTA is to be compensated for these system-wide cars. A five year funding plan was established and payments are being made towards a total LACMTA commitment of \$19,928,150. For the fifth annual and final commitment, in FY17, LACMTA will program \$1,522,150 in Measure R 3% funds to complete the programming of this reimbursement.

New Capital Projects - \$618,000

Metrolink is requesting \$618,000 to be used for preparing project study reports and initial design for enhancement and expansion (i.e. non-good state of repair projects).

Extend Lapsing Date of Rehabilitation/Renovation Funds

SCRRA programs rehabilitation/renovation funds for multiple years. This is necessary to maximize the effectiveness of the program and take advantage of matching federal funds. In addition, several projects, such as the passenger car rehabilitation program, are expected to extend over several years. As a result, funds programmed over multiple years may not be completely invoiced prior to lapsing and LACMTA does not recognize project completion until we are invoiced.

In FY15 LACMTA extended the lapsing period to four years and extended the lapsing dates of several MOUs. LACMTA has been assured that the work is substantially complete or is in progress. SCRRA is hiring additional staff in FY17 to bring them current on their invoicing.

SCRRA's funding lapses on June 30, 2016, as follows:

FY 2010-11 from June 30, 2016 to June 30, 2017 - \$1,774,223
FY 2011-12 from June 30, 2016 to June 30, 2017 - \$2,830,282
FY 2012-13 from June 30, 2016 to June 30, 2017 - \$5,024,401

Staff is seeking Board authority to extend funding for one additional year to June 30, 2017, to allow SCRRA to continue the progress they have made with increased project delivery and to work through their accounting system issues.

Transfers to Other Operators Payment Rate to LACMTA

SCRRA reimburses LACMTA for Metrolink riders who transfer to and from LACMTA services for free, including the rail system at Union Station, through the EZ Transit Pass Program.

For FY17, staff is recommending the reimbursement rate remain at \$1.10, the same as for FY16, and that the existing EZ Transit Pass cap of \$5,592,000 be honored.

This rate has remained at the current rate for several years. However, with the recent advent of Metrolink's ticket compatibility on TAP and the changes in Metro's fare structure, staff is in the process of analyzing the actual levels of Metrolink riders on the Metro system. Staff will incorporate identified usage rates in the development of the FY18 budget to determine what, if any changes may be incorporated into the transfer agreement.

OTHER ISSUES

Additional Request for Metrolink Funding

By letter dated May 23, 2016, the SCRRA has requested additional FY17 Metro funding in the amount of \$206 thousand.

On May 13, 2016, subsequent to submittal of Metro's proposed budget, the SCRRA Board of Directors adopted a modified fare structure effective July 1, 2016, that reduces short distance fares based on miles traveled, while not increasing long distance fares. This action is estimated to reduce the total Metrolink FY17 Budgeted Farebox Revenue in the amount of \$420,800 (0.3%), and increase the total requested Member Agency operating subsidy in an equal amount. As noted Metro's share of this request is \$206 thousand.

Based on reported FY16 financial performance to date, Metrolink is experiencing a budget under-run of approximately \$13 million (9%) through January 2016, and has estimated a FY16 budget surplus of at least \$8 million. Based on current trends, staff believes that Metro will accrue an FY16 budget surplus ranging between \$3.0 and \$6.0 million.

Staff is proposing to apply these previously approved funds in the event of the realization of a potential shortfall in fare revenues during FY17 and thereby not increasing current demands on Metrolink eligible funding.

Board Motion 40.1 on Equitable Governance on Southern California Regional Rail Authority.

At its meeting of March 24, 2016, the Board adopted motion 40.1 which, among other actions, directed staff to "Work with SCRRA member agencies to revise and simplify the allocation formula structure."

At the direction of the Member Agency's Chief Executive Officers, the SCRRA was requested to procure an independent and neutral consultant to review and provide potential revisions to the current formula basis of allocation including any opportunities to simplify or streamline the current process.

The SCRRA is currently procuring a consultant to perform this review. In order to assure that each member's input and insights are included in this review and evaluation, the scope specifically highlights the requirement to consult with each member agency to identify their respective concerns, issues, priorities and perspectives:

Member Agency and Stakeholder Consultation

The consultant will meet with Member Agencies to discuss and assess perspectives related to the existing cost allocation and revenue allocation formulas in both operation and capital investment, especially as it relates to the structure, magnitude, and frequency of updates of various formulas. The consultant will develop a summary of positive attributes and issues or concerns the members may have with the current allocation.

In addition, the consultant will get feedback from Authority staff and member agency staff who implement the formulas to assess how the structure of the formulas affect internal and external business processes and how the current formulas can be evaluated according to various criteria (e.g., flexibility, adaptability, simplicity, ease of application, transparency).

Staff will work very closely with the selected consultant to ensure that issues and areas of concern previously expressed by the Board will be included in the formula review and Member Agency review process.

Finally, to ensure each Member Agency supports the allocation of Metrolink costs and revenues, the JPA requires each Member Agency to individually approve the formula basis upon which costs and revenues are allocated.

Upon receipt of the consultant's report, staff will update the Board on the status of any proposed changes in the formula structure that affect Metro's contribution to Metrolink.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

SCRRA has requested \$88,825,701 for LACMTA's total FY17 Annual Work Program programming authority consisting of \$76,685,551 in Proposition C 10% and \$12,140,150 in Measure R 3% funding.

ALTERNATIVES CONSIDERED

There is no alternative to the recommendations if SCRRA is to operate the recommended service levels and maintain the railroad in a state of good repair.

NEXT STEPS

LACMTA staff, working collaboratively with SCRRA staff will:

- Prepare a 5-Year strategic funding plan for Metrolink pursuant to the June 25, 2015, Motion 6.1 Board request;
- Review and analyze Metrolink's rehabilitation and renovation program including project priorities, costs and schedules;
- Provide ongoing updates to the Board.

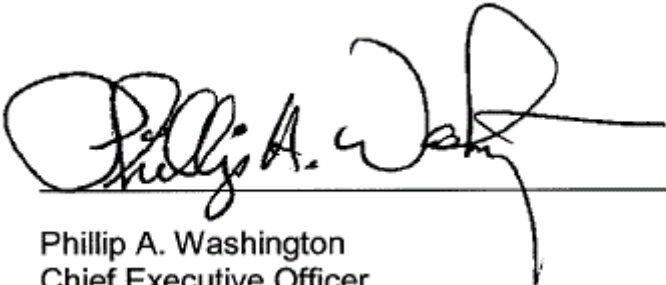
The SCRRA Board is scheduled to adopt its FY17 Budget on June 24, 2016. LACMTA staff will monitor implementation of SCRRA's budget and report back to the LACMTA Board with any issues requiring Board action. LACMTA staff will monitor implementation of SCRRA's budget and report back to the LACMTA Board with any issues requiring Board action.

ATTACHMENTS

A) SCRRRA FY 2016-17 Preliminary Budget Transmittal

Prepared by: Drew Phillips, Director of Budget, (213) 922-2109
Yvette Reeves, Transportation Planning Manager III, Regional Rail
(213) 922-4612
Jeanet Owens, Interim Executive Officer, Regional Rail
(213) 922-6877

Reviewed by: Richard Clarke, Executive Director, Program Management
(213) 922-7557
Nalini Ahuja, Executive Director, Finance & Budget
(213) 922-3088



Phillip A. Washington
Chief Executive Officer