



Board Report

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FINANCE, BUDGET AND AUDIT COMMITTEE
JANUARY 17, 2018

SUBJECT: FISCAL YEAR 2018 (FY18) - FIRST QUARTER
YEAR-TO-DATE (YTD) FINANCIAL REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the FY18 First Quarter Year-To-Date Financial Performance Report.

ISSUE

This report summarizes Metro’s financial performance for FY18 through the first quarter. Financial performance through the first quarter of the year demonstrates Metro’s ability to deliver safe and reliable transportation services within budget.

For purposes of this report, the budgeted amounts reflect the FY18 adopted budget. The budgeted numbers are within the Board authorized amounts and bounded by the legally controlled fund levels.

DISCUSSION

A. Summary of Revenues and Expenses

		YTD September 30, 2017			
Revenues / Expenses (\$ in millions)		Budget	Actual	Variance	% of Budget
1	Sales Tax and Operating Revenues	\$ 1,024.4	\$1,038.2	\$ 13.8	101.3%
2	Reimbursement Revenues	505.3	144.3	(361.0)	28.6%
3	Total Expenses/Expenditures	1,529.7	1,047.9	481.8	68.5%
4	Revenues Over/(Under) Expenses	\$ -	\$ 134.6	\$ 134.6	

¹ Includes federal, state and local grant, bond proceeds, Transportation Infrastructure and Innovation Act (TIFIA) loan drawdown, and prior year commitment.

Overall the agency delivered \$1,047.9 million worth of services of which \$1,038.2 million came from current year revenues and the remaining \$144.3 million from resources based on reimbursement from grant and debt financing. Sales tax and operating revenues came in

higher than the budget by \$11.3 million while reimbursement revenues ended short of budget by \$361.0 million. Total expenses of \$1,047.9 million came in under the budgeted amount of \$1,529.7 million resulting in a \$481.8 million variance. The net result leads to a favorable position of \$134.6 million.

B. Summary of Revenues

		YTD September 30, 2017			
Source (\$ in millions)	Budget	Actual	Over / (Under) Budget	% of Budget	
1 Sales Tax, TDA & STA Revenues					
2 Proposition A	\$ 200.5	\$ 201.7	\$ 1.2	100.6%	
3 Proposition C	200.5	201.7	1.2	100.6%	
4 Measure R	200.5	201.3	0.8	100.4%	
5 Measure M	190.5	192.5	2.0	101.0%	
6 Transportation Development Act	100.3	100.1	(0.2)	99.8%	
7 Subtotal Sales Tax & TDA Revenues	892.3	897.3	5.0	100.6%	
8 State Transit Assistance Fund	15.0	21.3	6.3	142.0%	
9 Subtotal Sales Tax, TDA & STA Revenues ¹	\$ 907.3	\$ 918.6	\$ 11.3	101.2%	
10 Operating & Other Revenues					
11 Passenger fares	\$ 80.8	\$ 75.1	\$ (5.7)	92.9%	
12 Toll Revenue	15.8	19.4	3.6	122.8%	
13 Advertising	6.3	6.1	(0.2)	96.8%	
14 Union Station	2.4	2.8	0.4	116.7%	
15 Bike Revenue	0.3	0.2	(0.1)	66.7%	
16 Parking Unit	0.6	0.2	(0.4)	33.3%	
17 Low Carbon Fuel Standard Sales	-	4.7	4.7	N/A	
18 Investment Income	0.5	1.9	1.4	380.0%	
19 Other Income ²	10.4	9.2	(1.2)	88.5%	
20 Subtotal Operating & Other Revenues	\$ 117.1	\$ 119.6	\$ 2.5	102.1%	
21 Total Sales Tax & Operating Revenues	\$ 1,024.4	\$ 1,038.2	\$ 13.8	101.3%	
22 Reimbursement Revenues ³	\$ 505.3	\$ 144.3	\$ (361.0)	28.6%	
23 Total Revenues	\$ 1,529.7	\$ 1,182.5	\$ (347.2)	77.3%	

¹ Actual Proposition A, Proposition C, Measure R, Measure M and TDA Revenues advanced amounts released by the State Board of Equalization for the first three first quarter clean-up of Fiscal Year 2018. The actual for STA represents amount by the State Controller's Office for the first quarter of Fiscal Year 2018.

² Includes CNG tax credits, lease revenues, vending, and other miscellaneous revenues.

³ Includes federal, state and local grant, bond proceeds, Transportation Infrastructure and Innovation Act (TIFIA) loan drawdown, and prior year commitment.

- Sales Tax, TDA & STA Revenues

Sales Tax and TDA revenues for the first quarter of FY18 came in \$5.0 million, 0.6% higher than the adopted budget. Of this surplus \$2.0 million is from Measure M, which was budgeted at 95% of Proposition A, C and Measure R in its inaugural year, whereas the actual is 95.4%. The overall growth in sales tax is 4.2% higher than the first quarter of last fiscal year, above Metro's projected growth rate of 2.8%, resulting in \$5.0 million more than budget.

State Transit Assistance (STA) revenue is dependent upon actual consumption of diesel fuel combined with changes in fuel price. The information presented for the first quarter reflects actuals, which translates into higher than expected STA revenue.

- Passenger Fare Revenue

Passenger fare revenue of \$75.1 million is lower than the adopted budget by \$5.7 million, primarily due to lower than expected boardings. The first quarter boardings were 100.2 million, or 3.3%, below the adopted budgeted boardings of 103.6 million. Metro Operations staffs are aware of the situation and are working to turn around the trend in future periods by improving route efficiencies and increasing security presence on the system to enhance our customer's experience and attract/retain riders.

- Toll Revenue

Metro ExpressLanes toll revenue of \$19.4 million exceeded the budget by \$3.6 million. The variance is the result of better than anticipated patronage of the Metro ExpressLanes. Account enrollment continues to increase with 114,101 new accounts and an increase in trip volumes from Q1 FY 17 to Q1 FY 18. State law requires the net toll revenues generated from the Metro ExpressLanes be reinvested in the corridors from which they were derived, pursuant to a board approved expenditure plan.

- Advertising, Union Station, Bike Program and Parking Revenue

Total revenues for this category are slightly lower than budgeted by \$0.3 million which is the net product of several subcomponents

- Metro's bus and rail operating advertising revenue is close to forecast.
- The net revenue for pilot parking management program was less than expected by \$0.4 million due to two factors: 1) implementation of Green Line locations will be postponed to May 2018 due to tie-in construction of connecting the Crenshaw/LAX transit project infrastructure with the Green Line; and 2) The pilot parking program is currently at only selected locations, giving patrons opportunity to drive to free parking locations within a short distance. It is hoped that once the parking program is implemented in all locations, the

revenue will be back on track and on- budget.

- Bike share program and bike locker/hub revenue came in lower than expected due to lower than expected usage and fare recovery ratio.
- Union Station operating revenue is higher than budget due to better parking revenue, rent holdover and tenant penalty.

- Low Carbon Fuel Standard (LCFS) Credit Revenue

The sale of LCFS credit is based on market conditions. In the first quarter of FY18, Metro executed two direct sales of LCFS credit bringing in \$4.7 million of revenue (which were unplanned/unbudgeted). These unplanned sales were timed to take advantage of market conditions favorable to Metro's interests. Starting in FY18, Metro realized revenue of \$0.3 million generated by electric vehicle chargers installed at various parking lots/transit hubs.

- Investment Income

Investment income of \$1.9 million exceeded the budget by \$1.4 million. The higher than anticipated balances generating this investment income is the result of slower than expected cash/investment balance draw-downs to pay for capital projects, call for projects, and subsidies during the period. Metro continues to invest unused funds according to the Board approved investment policy.

- Other Income

Other income of \$9.2 million came in lower than the budgeted by \$1.2 million, primarily due to the timing of the lease revenue. It is anticipated that the revenue will catch up in the second quarter.

- Resources Based On Reimbursement

The actual reimbursements ended the year below budget by \$361.0 million, or 28.6% of budget. These resources are recognized on a reimbursement basis driven by actual expenditure activities. Details of the related expenses can be found in the "*Summary of Expenditures*" section of this report.

C. Summary of Expenditures

Overall, the first quarter of FY18 expenditures totaled \$1,047.9 million or 68.5% of the \$1,529.7 million budget, presenting an underrun of \$481.8 million.

		YTD September 30, 2017			
Program Type (\$s in millions)		Budget	Actual	Under/(Over) Budget	% of Budget
1	Metro Transit - Operations and Maintenance	\$430.6	\$378.7	\$51.9	87.9%
2	Metro Transit - State of Good Repair	93.4	45.3	48.1	48.5%
3	Transportation Infrastructure Development	471.9	291.3	180.6	61.7%
4	Subsidy Funding Programs	312.3	191.3	120.9	61.3%
5	Congestion Management	21.5	13.0	8.6	60.5%
6	Regional Rail	52.0	11.3	40.6	21.7%
7	General Planning & Programs	32.4	20.4	12.0	63.0%
8	Debt Service	101.6	91.7	9.9	90.3%
9	Audit, County Counsel and Government Relations	14.1	5.0	9.2	35.5%
10	Grand Total	\$1,529.7	\$1,047.9	\$481.8	68.5%

- Metro Transit - Operations and Maintenance

The Metro Transit - Operations and Maintenance Program delivered actual Revenue Service Hours (RSH) of 2.0 million hours while spending within the budget at 87.9%. Bus was underspent by \$55.0 million or 81.4% of the budget while rail was underspent by \$15.4 million or 88.2% of the budget.

- Metro Transit - State of Good Repair (SGR)

The Metro Transit - State of Good Repair Program ended the first quarter at \$48.1 million under budget or 48.5% of budget spent. The variance is primarily driven by SGR projects with aggressive cash flow projections in Q1 for Rail Vehicle Maintenance projects, Red Line Operating Facilities project and Light Rail, Heavy Rail Vehicle Procurement projects. Project Manager contends that they will catch up before the end of FY18.

- Transportation Infrastructure Development

The Transportation Infrastructure Development program totaled \$291.3 million or 61.7% of the \$471.9 million budget. Of the resulting \$180.6 million variance, \$153 million is due to Measure R/M transit major construction projects from Westside Purple Line Extension Section 1 for the delay of the delivery of Tunnel Boring Machine (TBM) conveyors and the installation of Wilshire/Fairfax excavation support system (piles and decking); Crenshaw/LAX Transit Corridor project invoice delays; and Regional Connector project budgeted tunnel operations more aggressively than actual production. The remaining \$27.6 million variance is largely due to delays in execution of funding agreements with local agencies for various highway projects.

- Subsidy Funding Programs

Subsidy programs came in at 61.3% of the budget with an underrun of \$120.9 million due to

delays in drawdowns of programmed funds for regional transportation projects which includes highways.

- Congestion Management

The Congestion Management Program totaled \$13.0 million which is 60.5% of the total budget. The variance is due to invoice timing and delays in operating and management (O&M) contract for ExpressLanes and Freeway Service Patrol (FSP). Various congestion pricing studies and public outreach will be phased in throughout the fiscal year. Congestion Reduction subsidies and grants were not being drawn down by locals. The additional variance is also due to delayed procurement for FSP Operation System and FSP consulting contract.

- Regional Rail

The Regional Rail program consists of subsidies to Metrolink and Metro directed capital projects and studies. During the first quarter, Regional Rail spent \$11.3 million of the \$52.0 million budget or 21.7% of the total budget. Total Metrolink expenditures were \$33.3 million less than budget due to the delay in executing the funding MOU. The expenditures will catch up later in the fiscal year. Metro directed regional rail expenditures were under budget by \$7.3 million due primarily to four projects: The delayed Notice to Proceed (NTP) for the Doran Street Grade Separation project and Brighton to Roxford Double Track project, the invoices for Southern California Regional Interconnector Project (SCRIP), and Bob Hope Airport Metrolink Station will come in second quarter.

- General Planning and Programs

The General Planning and Programs ended the first quarter at \$20.4 million spent which is 63.0% of the \$32.4 million budget. The variance is primarily due to Public-Private Partnership (P3) projects that require contract amendments for its financial and legal advisory services. The invoice delays for multiple planning projects including Bike Share Program Operating & Management project and Bike Share Phase II - Expansion project also contribute to the variance.

- Debt Service

The debt principal and interest expenses were \$91.7 million of the \$101.6 million budget which is 90.3% spent. The underrun of \$9.9 million is attributed to two primary factors: 1) the actual drawdown of Measure R revolving credit facility is much less than planned, therefore, the interest expense is lower than the budget; and 2) the principal paydown of Proposition A and C commercial paper will not be incurred until the second quarter.

- Oversight and Admin

Oversight and Admin spent \$5.0 million of the \$14.1 million budget. This program consists of

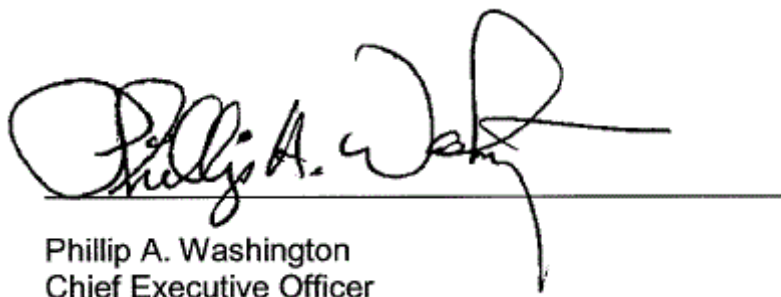
activities that provide legally required oversight and support for the agency such as the Office of the Inspector General (OIG), County Counsel, Audit and Government Relations as well as efforts to administer Measure R and Measure M.

NEXT STEPS

Staff will continue to monitor the financial performance of the agency throughout FY18 and will provide quarterly updates to the Board. There will also be efforts to enhance the financial report to include Key Performance Indicators (KPIs) which continues to strengthen the fiscal discipline and enforces accountability.

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