



Board Report

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Agenda Number: 39.

REGULAR BOARD MEETING MAY 28, 2020

SUBJECT: CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES) ACT FUNDING

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

CONSIDER:

- A. APPROVING the allocation of CARES Act funding received by Los Angeles County as described in Attachment A.
- B. APPROVING fund exchanges of Federal CARES Act funding, as appropriate, with other local funding sources in order to provide administrative efficiencies, optimize and accelerate the distribution of resources.
- C. AUTHORIZING the Chief Executive Officer to negotiate and execute all necessary agreements to implement the recommended support of transit programs countywide.

ISSUE

Los Angeles County and the world are facing an unprecedented challenge as we adapt to the new limitations on our daily lives due to the COVID-19 pandemic. In response to the financial shortfalls in nearly every sector of the American economy, Congress approved and signed into law the CARES Act on March 27, 2020.

The CARES Act delivers COVID-19 relief funds to a wide range of American industries to provide fast and direct economic assistance in this time of crisis. As the Regional Transportation Planning Entity (RTPE) for Los Angeles County, Metro is responsible for allocating transportation funding provided under the CARES Act to transit agencies in the county.

BACKGROUND

With the implementation of the “Safer at Home” order in March, nonessential businesses closed, and all residents were directed to leave their homes only for essential activities. Consumer spending has plummeted and transit ridership and fare revenues have dropped dramatically resulting in an estimated \$1.8 billion reduction in resources available to operate and maintain Los Angeles County’s

transit mobility network.

DISCUSSION

The revenues received from local and state derived sales tax measures, the basis of our investment in mobility, are estimated to decline by a total of \$1.060 billion over FY20 adopted budget and FY21 pre-COVID levels. And, as noted above, these reductions, when combined with additional losses from fare revenues, tolls, advertising and other system revenues, and the increased costs of response to the coronavirus, the impact to Los Angeles County’s transportation resources is estimated at \$1.8 billion. These unprecedented revenue losses affect every component of Los Angeles County’s transportation investment program, including Metro’s bus and rail operations, municipal transit operators, the 89 local jurisdictions throughout Los Angeles County, local community based operators, regional operators such as Metrolink and Access Services, Metro’s Measure R and Measure M Capital Programs, and other partnerships throughout the county.

CARES Act Appropriation

The CARES Act provides relief funding to “prevent, prepare for, and respond to” the COVID-19 pandemic. The Federal Transit Administration (FTA) allocated a total of \$1.068 billion to Los Angeles County under the existing FTA Section 5307 Urbanized Area Formula Grants program.

“Funds provided under this heading are available for the **operating expenses of transit agencies related to the response to a coronavirus** public health emergency as described in section 319 of the Public Health Service Act, including, beginning on January 20, 2020, **reimbursement for operating costs to maintain service and lost revenue due to the coronavirus public health emergency**, including the purchase of personal protective equipment, and paying the administrative leave of operations personnel due to reductions in service...”

Costs eligible for reimbursement are broadly defined as “operating expenses of transit agencies related to the response to a coronavirus public health emergency” including reimbursement for operating costs to maintain service and lost revenue, and support transit workers jobs.

The FTA apportions funding by Urbanized Zone Area (UZA). The total CARES Act apportionment for each of the three UZAs in Los Angeles County, Lancaster-Palmdale and Santa Clarita, shown in the table below. For a detailed listing of the proposed allocation of the total \$1.068 billion in CARES Act funding, see Attachment A.

Urban Zone Area (UZA) (\$Millions)	Grand Total
CARES Act Apportionment	\$ 1,068.0
Less - Direct Apportionments (Lancaster-Palmdale, Santa Clarita, Metro)	(69.9)
Funds Available for Countywide Allocation	\$ 998.1

* Excludes 5311 funding of est. \$1.36 million to AVTA for service to rural areas in the North County (contingent on final allocations from CalTrans)

CARES ALLOCATION

In order to provide CARES Act relief to transit operators throughout Los Angeles County, Metro staff has proposed that the CARES allocation is based on offsetting and mitigating the loss of sales tax revenues, fares and other revenues. The goal of the CARES allocations is to ensure, as broadly as is feasible, that support is provided to all transit operators in the County.

The initial priority is to estimate, address, and mitigate reductions in sales tax revenue for FY20 and FY21. The goal of this phase is to ensure that funding for transit operations throughout the county is maintained and supported at pre-COVID funding levels, as intended under the CARES Act. Each operator will receive their full FY20 funding allocation as adopted by the Metro Board. Each operator is also proposed to receive funding equal to levels originally estimated for FY21, prior to the onset of the COVID-19 pandemic. As a result, each operator is expected to be “held harmless” in relation to the reduction of sales tax revenues anticipated for FY20 and FY21.

However, recognizing operators will also see significant reductions in fare and other system revenues, staff is proposing that additional supplemental amounts be distributed to help mitigate, and provide some measure of relief, for losses of other revenues and/or cost increases as a result of the pandemic.

The proposed allocation would provide CARES Act funding to support Los Angeles County transit operators, including Metrolink, Access Services, local paratransit, dial-a-ride, community shuttle operating partners and to support regional transit programs. The intent of the CARES allocation is to fairly distribute the limited funding available to ensure the residents and visitors to Los Angeles County retain access to mobility.

Step 1 - Recover Loss in Sales Tax Revenues

First, CARES Act funding will be allocated to recover the estimated loss in sales tax revenues for each transit operator to satisfy the CARES Act’s intent to maintain service by providing funding levels that were expected prior to the onset of the COVID-19 pandemic. Amounts allocated will be based on the difference between approved FY20 budget and estimated pre-COVID FY21 funding levels with the projected losses in sales taxes for FY20 and FY21.

Step 2 - Provide Supplemental Relief Funding

In Step 2, the proposed method will provide additional funding to help mitigate losses in fare revenues and increased costs related to COVID-19. To address the differing needs of transit operators, supplemental relief funding is proposed using various strategies:

- For Metro and Municipal Operators, the supplemental amount is equal to and in addition to the sales tax revenue loss as calculated in Step 1.
- For Tier 2 and Small Operators, the supplemental amount is equal to ½ of their total annual allocation. This is in addition to Step 1 in recovering their losses in sales tax revenues. This method also provides more funds to this group than it would by doubling the sales tax revenue

loss.

- For Metrolink and Access Services, the supplemental amount is equal to the estimated loss in fare revenues over FY20 and FY21 for each agency. This is in addition to Step 1 in recovering their losses in sales tax revenues.

Step 3 - Regional Needs

The third and final step is to retain some level of funding for countywide transit activities performed by Metro on behalf of the region. In this category, the remaining CARES Act funding will be maintained by Metro to fund the regional fare collection system, regional subsidies such as the Low Income Fare is Easy (LIFE) and Vanpool programs, regional transit hubs such as Union Station and El Monte Station, and congestion management programs.

See Attachment B for a description of the CARES allocations and estimated sales tax losses.

Letters of Support & Concurrence

The recommended allocations for CARES Act funding has been reviewed with the various stakeholder groups that represent transit operators in the region. Stakeholders include:

1. Los Angeles County of Municipal Operators Association (LACMOA)
 - Representing 16 Transit Operators
2. Tier 2 Operators Program
 - Representing 4 Operators
3. Local Transit Systems Subcommittee (LTSS) Small Operators
 - Representing 47 Community Operators
4. Access Services
5. Southern California Regional Rail Authority (SCRRA) - Metrolink
6. Palos Verdes Peninsula Transit Authority
7. City of Avalon
8. City of Glendora
9. Torrance Transit

All stakeholders have provided letters of support and concurrence for the CARES allocations, see Attachment C.

Reimbursement Process and Eligible Expenses

The terms of the CARES Act allow 100% reimbursement for eligible expenses incurred after January 20, 2020. Claimants must submit eligible expenses for reimbursement in accordance with the current Federal claims process. Expenses eligible for reimbursement are:

- Transit operations, capital, and planning expenses eligible under Section 5307
- Costs to operate, maintain, and manage a public transit system (i.e. driver salaries, fuel, pension, benefits, self-insurance, personal protective equipment, and cleaning supplies)
- Capital costs (i.e. purchasing, leasing, constructing, maintaining, or repairing transit system)

- facilities, rolling stock, and equipment)
- Administrative leave for workers due to reduced service or quarantine
- Reimbursement of lost fare revenue
- Paratransit or COVID-19 related charter service (i.e. meal delivery)

Funding Exchanges and Necessary Agreements

Municipal Operators are direct recipients of these funds and upon submittal of the allocation tables to Southern California Association of Governments (SCAG), operators can initiate the grant approval process to begin submitting invoices for reimbursement. In order to expedite the disbursement of relief funding to other agencies, fund exchanges may be necessary between CARES Act funds and other locally eligible sources. Metro will work with these agencies to finalize necessary details on the administration of these funds.

DETERMINATION OF SAFETY IMPACT

Adoption of this item will provide funding for increased safety efforts by providing COVID-19 relief funding to Los Angeles County transit agencies impacted by the pandemic.

FINANCIAL IMPACT

The total \$1.068 billion in Federal CARES Act funding will be distributed to transit agencies throughout Los Angeles County as shown in Attachment A.

Impact to Budget

Sales tax revenues from all sources are projected to decline by more than \$1 billion through the end of FY21. Additional Metro specific revenue losses including fares, toll revenues, and other system generated revenues are estimated to decline an additional \$350 million to \$400 million. Combined with cost increases as a result of the COVID-19 pandemic, the negative impact to Metro is estimated to be approximately \$1.8 billion.

Use of the CARES Act funds will help mitigate, but not eliminate the funding gap from January 2020 through June 2021. Staff will continue to provide the Board with additional information on the steps necessary to mitigate these additional losses as part of developing the FY21 budget.

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 CARES 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.

Finally, as detailed on the attached letters of support, a consensus of agreement has been reached across the full spectrum of the County's transit operating partners. (See Attachment D).

NEXT STEPS

Should the Board approve staff's recommendation, staff will:

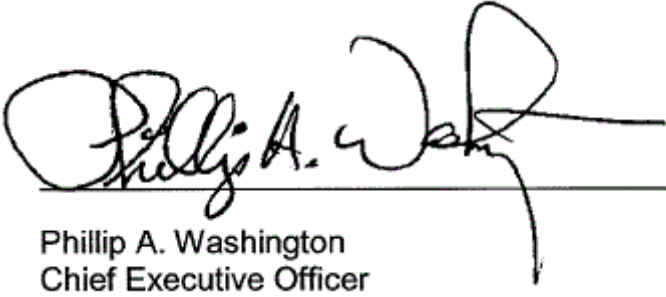
- Provide notification to SCAG and the FTA of the proposed distributions to allow affected recipients to initiate the grant process and begin drawing down CARES Act funding.
- Continue to update the Board on the impacts of the COVID-19 pandemic to Metro and the region.
- Work with operators and agencies on final administrative requirements and fund distribution details

ATTACHMENTS

- A. Detailed CARES Allocation Amounts By Transit Operator/Agency
- B. Description of CARES Allocation and Estimated Sales Tax Losses
- C. Letters of Support and Concurrence
 - 1. Los Angeles County of Municipal Operators Association (LACMOA)
 - Representing 16 Transit Operators
 - 2. Tier 2 Operators Program
 - Representing 4 Operators
 - 3. Local Transit Systems Subcommittee (LTSS) Small Operators
 - Representing 47 Community Operators
 - 4. Access Services
 - 5. Southern California Regional Rail Authority (SCRRA) - Metrolink
 - 6. Palos Verdes Peninsula Transit Authority
 - 7. City of Avalon
 - 8. City of Glendora
 - 9. Torrance Transit

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