



Board Report

File #: 2016-0023, **File Type:** Informational Report

Agenda Number: 53.

**AD-HOC REGIONAL RAIL COMMITTEE
JANUARY 20, 2016**

SUBJECT: SCOPE AND OBJECTIVES - COST/BENEFIT ANALYSIS OF METRO'S SUBSIDY TO METROLINK

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE status report and provide guidance on the **scope and objective of staff's proposed Cost/Benefit Analysis of Metro's subsidy to Metrolink.**

ISSUE

At its meeting of December 3, 2015 Metro's Board adopted Motion 40 recommending:

- A. The CEO assign staff to complete a comprehensive Cost/Benefit analysis for the Los Angeles County subsidy to Metrolink; and
- B. That until such analysis is completed and approved by the board, any and all funding requests from Metrolink that increase, or have the potential to increase the Metro contribution above the FY16 approved budget, or affect Los Angeles County residents/riders negatively, shall come to the MTA board for approval prior to Metrolink full board approval; and
- C. That the Chair of the MTA board create an ad hoc committee to convene, as required, to vote on Los Angeles County Metrolink issues and to direct the cost/benefit analysis. Said study shall include MTA staff, including, at a minimum, finance and innovation executives, to oversee a cost/benefit analysis to look at innovative ways the MTA can best serve the Los Angeles County constituency; and
- D. That the ad hoc Metrolink committee be convened beginning January 2016; and
- E. That staff complete the cost/benefit analysis and report back to the board in March 2016.

DISCUSSION

Through the initiation of a Cost/Benefit Study of LA Metro's subsidy of Metrolink, staff will seek to provide information that allows the Committee and Metro's Board to examine, review, and make recommendations based on the following:

Costs

- Metrolink's cost structure and performance in relation to Commuter Rail industry standards; and
- Metrolink's performance in key categories in comparison to Metro's other modes of transportation cost and performance; and
- An examination of Metro's contributions in relation to the other Member Agencies
- Other Information as requested by the committee

Benefits

- Measure of the benefit of Metrolink services to and within Los Angeles County including:
 - Los Angeles County residents utilization of the system
 - Potential congestion relief on parallel freeways
 - Economic benefits to Los Angeles County including Downtown Los Angeles
 - Potential avoided costs of alternative service provisions (ie Long Distance Commute)
 - Direct funding benefits such as Federal and State Formula funds.

Finally, in light of the ongoing space planning study efforts here at Metro's Gateway headquarters building, we will highlight the cost and revenue effects of continuing to retain Metrolink as a tenant within the building compared to the costs of leasing alternative space for Metro activities.

Staff's objective is to provide sufficient information to the Committee and the Board to:

- Determine if the current Metro contribution to Metrolink is commensurate with identified benefits; and
- Ensure alignment of Metro's priorities with services and funding provided; and
- Identify opportunities for improvement in Metro's relationship, oversight and participation in Metrolink policy decisions; and
- Seek innovative solutions that advance the regional mobility of Los Angeles County residents.

FINANCIAL IMPACT

The completion of a Cost/Benefit analysis of Metro's subsidy to Metrolink will provide the Board a clearer understanding of Metro's investment in commuter rail in Los Angeles County and identify potential cost savings opportunities..

Impact to Budget

There is currently no budget impact in the initiation of a Cost/Benefit Analysis of Metro's subsidy to Metrolink

ALTERNATIVES CONSIDERED

None. This action implements a Board directive.

NEXT STEPS

Staff is currently engaged in the identification, collection, and analysis of available data. We will return to the Committee to:

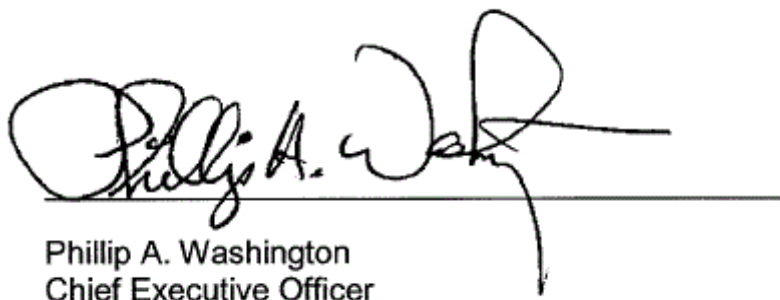
- Identify potential data gaps and seek out the latest research relating to Commuter Rail industry operations; and
- Provide for Committee review the factors that lead to the subsidy share calculations among the member agencies; and
- Provide an update of preliminary data trend analysis; and
- Continue to report back to the Committee on an ongoing basis.

ATTACHMENTS

Attachment A - Motion 40 as adopted December 3, 2015

Prepared by: Drew Phillips, Director, Budget, (213) 922-2109

Reviewed by: Nalini Ahuja, Executive Director, Finance & Budget, (213) 922-3088



Phillip A. Washington
Chief Executive Officer

Ad Hoc Regional Rail Committee

January 20, 2016



Metro

Excellence in Service and Support

Background

At its meeting of December 3, 2015 Metro's Board adopted Motion 40 recommending:

- A. The CEO assign staff *to complete a comprehensive Cost/Benefit analysis for the Los Angeles County subsidy to Metrolink*, and
- B. That until such analysis is completed and approved by the board, any and all funding requests from Metrolink that increase, or have the potential to increase the Metro contribution above the FY16 approved budget, or affect Los Angeles County residents/riders negatively, shall come to the MTA board for approval prior to Metrolink full board approval; and
- C. That the Chair of the MTA board create an ad hoc committee to convene, as required, to vote on Los Angeles County Metrolink issues and to direct the cost/benefit analysis. Said study shall include MTA staff, including, at a minimum, finance and innovation executives, to oversee a cost/benefit analysis to look at innovative ways the MTA can best serve the Los Angeles County constituency; and
- D. That the ad hoc Metrolink committee be convened beginning January 2016; and
- E. That staff complete the cost/benefit analysis and report back to the board in March 2016.



Objectives

Through the initiation of a Cost/Benefit Study of LA Metro's subsidy of Metrolink, staff will seek to provide information that allows the Committee and Metro's Board to examine, review, and make recommendations based on the following:

- The nature of Metro's mobility investment in commuter rail operations in Los Angeles County
- The size and scale of the that investment
- The determination and basis of calculating that investment
- The rate of return to Metro and the residents of Los Angeles County



Framework

The Southern California Regional Rail Authority (SCRRA) was formed as Joint Exercise of Powers Authority (JPA) to Design, Build, Operate and Maintain (DBOM) a regional commuter rail operation on behalf of its Member Agencies. The system is operated under the brand name Metrolink



Scope

Proposed specific areas of analysis that staff will advance for the committee's review:

Costs

- Metrolink's cost structure and performance in relation to Commuter Rail industry standards; and
- Metrolink's performance in key categories in comparison to Metro's other modes of transportation cost and performance; and
- An examination of Metro's contributions in relation to the other Member Agencies
- A review of Metro's regulatory and State of Good Repair (SOGR) requirements
- A review of the Revenue and Expense effects of Metrolink's tenancy at Gateway

Benefits

Measure of the benefit of Metrolink services to and within Los Angeles County including:

- Los Angeles County residents utilization of the system
- Potential congestion relief on parallel freeways
- Economic benefits to Los Angeles County including Downtown Los Angeles
- Potential avoided costs of alternative service provisions (ie Long Distance Commute)
- Direct funding benefits such as Federal and State Formula funds.



Staff's objective is to provide sufficient information to the Committee and the Board to:

- Determine if the current Metro contribution to Metrolink is commensurate with identified benefits; and
- Ensure alignment of Metro's priorities with services and investment provided; and
- Identify opportunities for improvement in Metro's relationship, oversight, and participation in Metrolink policy decisions; and
- Seek innovative solutions that advance the regional mobility of Los Angeles County residents.

Next Steps

- Identify, collect and analyze available data
- Provide the Committee review of factors that determine Metro's share of Metrolink subsidy
- Provide the Committee with an update of preliminary data trend analysis
- Address issues or concerns of the Committee based on results to date

Questions



Board Report

File #:2015-1673, File Type:Motion / Motion
Response

Agenda Number:40.

REVISED
SYSTEM SAFETY, SECURITY AND OPERATIONS COMMITTEE
NOVEMBER 19, 2015

Motion by:

Directors Antonovich, Najarian and Solis

November 19, 2015

Cost/Benefit Analysis for Metrolink Subsidy

It has been 9 years since the MTA board directed staff to conduct a cost/benefit study to determine how best to direct MTA's subsidy to Metrolink. The study was prompted by Metrolink's successful manipulation of frozen data from 1994 to 2004, that eventually raised the Los Angeles County share of the Metrolink budget to 60.7%, a disproportionate share of the 5-county JPA. As a result of the study, a change in the formula subsidy was approved by the participating entities in 2007 and has not been reviewed since.

The rising overhead costs due to additional layers/salaries and benefits, the failure to repay MTA the \$18 million loan, it is appropriate that the MTA board request staff for an updated cost/benefit study on behalf of Los Angeles County. The study will determine if funding would be better served improving service within the county. The analysis should include, but not be limited to, governance versus subsidy inequities, operating assumptions, the benefits of limiting subsidies to Los Angeles County, and innovative solutions to regional rail issues.

MOTION by Antonovich, Najarian and Solis that:

- A. The CEO assign staff to complete a comprehensive Cost/Benefit analysis for the Los Angeles County subsidy to Metrolink; and
- B. That until such analysis is completed and approved by the board, any and all funding requests from Metrolink that increase, or have the potential to increase the Metro contribution above the FY16 approved budget, or affect Los Angeles County residents/riders negatively, shall come to the MTA board for approval prior to Metrolink full board approval; and
- C. That the Chair of the MTA board create an ad hoc committee to convene, as required, to vote on Los Angeles County Metrolink issues and to direct the cost/benefit analysis. Said study shall include MTA staff, including, at a minimum, finance and innovation executives, to oversee a

cost/benefit analysis to look at innovative ways the MTA can best serve the Los Angeles County constituency; and

- D. That the ad hoc Metrolink committee be convened beginning January 2016; and
- E. That staff complete the cost/benefit analysis and report back to the board in March 2016.