



Board Report

File #: 2016-0181, File Type: Informational Report

Agenda Number: 40.

REGULAR BOARD MEETING MARCH 24, 2016

SUBJECT: COST/BENEFIT ANALYSIS OF METRO'S SUBSIDY TO METROLINK - UPDATE 2 - METRO INVESTMENT BASIS AND THE BENEFITS OF COMMUTER RAIL OPERATIONS IN LOS ANGELES COUNTY

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE report on the formula basis of determining **Metro's annual contribution to Metrolink operations** and the estimated benefits of those operations to Los Angeles County and its residents.

ISSUE

The purpose of this report is to provide the Committee an overview of the governance structure of the Southern California Regional Rail Authority (SCRRA), information on the calculation of Metro's investment in commuter rail operations in Los Angeles County, and an estimated summary of the benefits of that investment.

DISCUSSION

Summary of Governance Structure

Under the Joint Exercise of Powers Agreement (JPA) (Attachment A), the SCRRA was created by the Member Agencies to act on their behalf to design, construct, operate and maintain a regional commuter rail system in Southern California.

The JPA, with only 9 pages of narrative text, has limited specifics governing the interactions among the Member Agencies and with the SCRRA itself. However, two elements of the JPA are very specific and clear:

- The proportionate assignment of voting rights of the Member Agencies on the SCRRA Board of Directors; and
- The lack of authority of the SCRRA to commit any Member Agency to a financial obligation that the Member Agency does not support and approve.

Member Voting Rights

The number of votes assigned to each member agency is as follows:

Member Agency	Number of Votes on the Metrolink Board	% of the Board*
Los Angeles County Metropolitan Transportation Authority	4	36
Orange County Transportation Authority	2	18
Riverside County Transportation Commission	2	18
San Bernardino Associated Governments	2	18
Ventura County Transportation Commission	1	9
Total	11	

*To avoid extended decimal rounding, actual % values add to 99%

A quorum of the Board consists of two factors:

- 1) Representatives of a minimum of 3 counties;
and
- 2) A minimum of 6 combined votes.

For example, as shown above, though Metro and Orange County together comprise 6 votes, as only two counties, the minimum number of county representatives is not met to constitute a quorum. Further, Riverside, San Bernardino and Ventura representatives could be present, and while the three county minimum is met, the minimum required number of votes would not be available.

These values were determined at the agency's formation based on an original negotiation among the Member Agencies prior to the construction or operation of the system.

Under the current JPA, any change to this governance structure could be initiated by any Member Agency. However, the outcome of any such proposal is subject to negotiations and agreement by and among the Member Agencies.

The JPA states:

"15.0 AMENDMENTS TO THE AGREEMENT

This AGREEMENT may be amended at any time by the unanimous agreement of the voting MEMBER AGENCIES."

Previous Amendment

To date, the JPA has undergone one administrative amendment. In 1996, approximately 50% of the SCRRA's administrative and management staff were Metro employees, formerly of the LACTC. The amendment action formalized the transfer of these employees and positions from Metro to the SCRRA.

Financial Authority

The JPA makes very clear that prior to any commitment of funds by the SCRRA, each individual Member Agency shall approve their share of any proposed financial request.

It states in four individual sections the separation of financial authority between the Member Agencies and the SCRRA.

Referencing the SCRRA:

*The SCRRA has the authority to “**recommend**” funding shares of the members for capital and operations. (Sections 3.12, 3.13, emphasis added)*

Referencing the Member Agencies:

“Each MEMBER AGENCY’s Share of Capital and Operating Fund allocations, and Annual AUTHORITY Budget shall be approved by each MEMBER AGENCY.” (Section 4.4)

“Decisions dealing with capital and operating fund allocations, as well as annual approval of each MEMBER AGENCY’S share of the AUTHORITY’S annual budget, shall be approved by the MEMBER AGENCIES themselves.” (Section 8)

“..and any cost sharing formula adopted by the voting MEMBER AGENCIES.” (Section 9)

Though the JPA is silent on the actual formulas or variables used to allocate costs and revenues, as clearly articulated in the language above, it is the Member Agencies themselves that approve the various formula distributions and resulting member subsidy contributions through a negotiation and agreement among the partnership.

Adopted Budget Policy of the SCRRA

In addition to the clauses in the JPA outlined above, the published and SCRRA Board approved budget policy further codifies the financial relationship between the Member Agencies and the SCRRA:

In approving the proposed budget and any (SCRRA) Board-initiated amendments, the Board authorizes SCRRA to expend funds under the direction of the Chief Executive Officer consistent with:

- *Total amount appropriated for Train Operations and Maintenance of Way*
- *Total amount appropriated for each capital rehabilitation and new capital project*
- ***Individual Member Agency funding commitments***
- *Total number of authorized positions*

Metrolink published FY16 Budget; Page 19; Section 3.1.1 Budget Authorization (Emphasis Added)

As illustrated, the JPA and other approved policies make clear that the SCRRA, its Board of Directors, and staff of the agency have no authority to obligate a Member Agency to any financial commitment an individual member does not support or is willing to approve. As such, any vote of the SCRRA Board that attempts to create a commitment is advisory in nature and is non-binding on the Member Agencies.

A recent example is the Metro Board's deferral of SCRRA's requested FY16 Rehabilitation and Renovation funding in the amount of \$20 million.

Though proposed by Metrolink and approved by SCRRA's Board, Metro retained and exercised its authority to not adopt or approve the request. This deferral was initiated by Metro's Board in order to assure itself that previously approved yet unobligated and unspent funding was being directed towards the highest priority projects of the agency. Metro staff continues to work with our colleagues at the SCRRA to address this situation and only the Metro Board itself possesses the authority to appropriate and commit Metro funds to the SCRRA.

Metro's Investment in the Regional Commuter Rail System

As a result of its structure as a partnership, and as envisioned in the JPA, the SCRRA uses a series of formulas to ensure every financial transaction of the organization, be it expense or revenue, can ultimately be attributed to a, or multiple, member(s) through a Member Agency approved and agreed upon distribution.

Expenditures are divided into two primary modes - Capital Expenditures, including State of Good Repair (Rehabilitation), and Operating Costs including Maintenance of Way (MOW). Each of the modes have specific cost allocation methodologies in order to capture the required contribution(s) of the Member(s).

Assignment of Capital Obligations

The assignment of capital obligations uses two primary methods. The first is based primarily on an asset ownership and location basis.

For example, the Member Agency owner of a fixed asset, generally Rights-of-Way (ROW), is responsible for the State of Good Repair expenditures related to that asset.

Specific Capital Expansion projects that add physical capacity or betterments to the infrastructure within its jurisdiction have also generally been the responsibility of the requesting Member Agency. Examples of these types of projects include double-track projects and station and grade crossing enhancements.

The second allocation method applies to shared facilities or systemwide assets such as IT or Communications systems infrastructure, revenue vehicles, or maintenance facilities, etc., is the application of the "All-Share" formula. This formula is a combined weighted average (1/3, 1/3, 1/3) of Route Miles, Stations, and Boardings within each county. Metro's share of this formula is 47.5%.

However, the current values All-Share formula have not been updated for over 17 years and are outdated and stale. This specific formula is currently subject to an ongoing review, and staff expects that once the update is completed, Metro's share should decline between 2% and 3%. On an annual basis, this change would result in reducing Metro's Rehabilitation and Capital costs between \$500 thousand and \$1 million depending on the mix of selected projects.

The table below illustrates the distribution of the Proposed SCRRA FY16 Budget capital projects divided into the categories listed above.

SCRRA FY16 Proposed Capital Budget*			
(\$000)	Total	Metro \$	Metro %
Rehabilitation Projects – Location Basis	59,556	15,128	25.4%
New Capital Projects - Location Basis	33,070	33,070	100.0%
Subtotal - Location Basis	92,626	48,198	52.0%
Rehabilitation Projects – Systemwide	92,631	33,203	35.8%
New Capital Projects – Systemwide	162,654	17,127	10.5%
Subtotal – Systemwide Capital	255,285	50,330	19.7%
Total Proposed FY16 Capital Program	347,911	98,528	28.3%

(*The SCRRA's proposed FY16 request for New Rehabilitation program funding (\$20M) was deferred by Metro's Board. Figures are for illustration.)

Assignment of Operating Costs and Revenues

The SCRRA groups Operating Expenses and Revenues, including Train Operations and Maintenance of Way (MOW), into a functional based structure to assign costs and revenues and present information to the Member Agencies.

As detailed below and in the attached information, the single largest component of the various formula options to assign those costs and revenues is based on location - miles of service operated within a county or ROW owned by a member agency. In any given year, between 80% and 90% of expenses and revenues are distributed through some form of mileage based allocation.

Staff is concerned that the use of mileage as such a large component of the allocation of costs may not represent the most balanced and equitable measure of the benefits that accrue to each Member Agency and supporting county.

On a systemwide basis, approximately 55% of all train miles are operated in Los Angeles County, and the county's route miles are approximately 48% of the system. However, according to Metrolink's data, approximately 38% of the riders are from Los Angeles County and 44% of the stations are in Los Angeles County.

Staff believes additional weight should be considered for other potential variables. One potential example could be accessibility to an Operating Line. For example, on the Orange County Line, of the 14 stations on the line segment, only 3 are located in Los Angeles County, including LAUS, a total 21%. However on a mileage basis, approximately 30% of the operating Train Miles of the Orange

County Line are within Los Angeles County.

Within the current budget, a 1% change in Metro's aggregate cost allocation equals approximately \$1.25 million.

Expenses

As discussed above, identified individual functional groupings include items such as Train and Engine Crews; Maintenance of Equipment; Marketing; Fuel; Staff Costs; Facilities Maintenance, etc. (For a listing of the detailed functional listing of activities please see Attachment B - Exhibit 3.7 - FY2015-16 Annual Operating Budget Distributions to Member Agencies)

Each function is then allocated to Member Agencies based on an agreed distribution formula. However, the current Train Operations budget requires approximately 25 to 27 separate formulas and leads to significant confusion and difficulty in managing the daily operations of the agency. MOW expenses are further subject to their own additional allocations. (For a listing of various actual formula allocations and the associated variables as included in the FY16 Budget, please see Attachment C - SCRRRA Budget Line Item Allocations and Attachment D - FY2015-16 Formulae Used to Allocate Expenses by Member Agency)

The two largest mileage components are Train Miles Operated within a county and Route Miles located within a county.

Train miles represent the number of miles operated either 1) within a Member Agency's county of jurisdiction on all lines or 2) miles operated on a particular line segment. For example, the number of miles operated in Los Angeles County, or the number of miles operated on the Inland Empire-Orange County Line. A Train Mile equals one train traveling one mile.

A route mile represents a one mile length of an operating line segment without regard to the number of tracks, direction of operation, or levels of service.

Functions	Total FY16 (Mil)	Metro's Share (Mil)	Metro % as Share of Function
Train Operations Expenses	198.1	101.6	51.3%
MOW Expenses	42.4	23.8	56.0%
Total Allocated Expenses	240.5	125.3	52.1%

The completion of the allocation of costs provides a level of gross investment for each member agency.

Revenues

Similar to expenses, revenues are subject to their own independent series of allocations. The SCRRRA receives revenues from Fares from passengers, Dispatching and Maintenance revenues from the freight railroads and Amtrak, and other minor miscellaneous revenues

Fare Revenues are further subject to a dual allocation process. Revenues are first recorded on an Operating Line the ticket was purchased for, and then allocated to the Member Agencies participating on that segment on the basis train miles operated in each county.

For example, a ticket from El Monte to Los Angeles Union station is recorded on the San Bernardino line. That revenue is then split between LA Metro and SanBag, approximately 60%/40% respectively, the miles in Los Angeles County versus the miles in San Bernardino County.

Listed below are selected illustrations of the Fare Revenue distribution methodology.

Selected Examples of Fare Revenue Distributions (FY16 Metrolink Budget):

Operating Line	FY16 Fare Revenue (000)	% Miles in LA County	% Miles in San B. County	% Miles in Orange County	Allocated Revenues LA Metro	Allocated Revenues SanBag	Allocated Revenues OCTA
San Bernardino Line	21,052	59.82%	40.18%	0.0%	12,593	8,459	0
Antelope Valley Line	10,643	100.0%	0.0%	0.0%	10,643	0	0
Orange County Line	19,124	30.50%	0.0%	69.5%	5,833	0	13,291

As shown above, Fare Revenues are not earned on a systemwide basis in support of the entire operations. They are earned by specific Operating Lines based on the Origin and Destination of the ticket and credited to the Member Agencies on the basis of Train Miles on the line operated within each county.

MOW and Dispatching revenues from the freights and Amtrak are credited to the owner of the Right of Way where the billed operations occur and are based on rates specified in the various operating and purchase and sales agreements.

Functions	Total FY16 (Mil)	Metro's Share (Mil)	Metro % as Share of Function
Fare Revenues	84.4	42.9	50.8%
MOW Revenues	14.3	9.3	64.8%
Other Revenues	2.7	1.4	50.9%
Total Revenues	101.5	53.5	52.8%

Member Agency Subsidies

It is only after the independent allocation of expenses and revenues discussed above that a Member Agency subsidy is determined.

In Metro's case, the operating subsidy for FY16 is:

Functions	Total FY16 (Mil)	Metro's Share (Mil)	Metro % as Share of Function
Total Allocated Expenses	240.5	125.3	52.1%
Total Allocated Revenues	101.5	53.5	52.8%
Net Subsidy	139.1	71.8	51.6%

As shown in the table(s) above, the impacts of various formula applications result in Metro receiving a different percentage of each cost and revenue component.

Findings Related to Expense and Revenue Allocations

With one variable, Train Miles, playing such a large role in the allocation of expenses, staff is concerned that the distribution of costs among members may not align with the benefits of Metrolink realized by each member.

These differing allocations and interdependent formula impacts make it very difficult for Member Agencies to predict the long run potential cost and subsidy requirements of additional services. As a result, the costs impacts on a particular Member Agency resulting from service expansion or contraction are completely dependent on the actions of the other Members of the partnership.

Staff is seeking to work with our partner agencies to address the allocation of expenses and revenues to:

1. Ensure an equitable measure of benefits is reflected in the cost allocations to Member Agencies; and
2. Provide for a predictable rate of future change that allows individual Member Agencies to plan for the future

Summary of Estimated Benefits of Commuter Rail Operations

Metrolink operations within Los Angeles County provide a number of directly measurable and additional indirect benefits to the residents and visitors to the county including State and Federal formula funds, Congestion Relief and Environmental benefits, and economic returns to major destinations.

State and Federal Formula Funds

Direct benefits to Los Angeles County of Metrolink Operations include the allocation of State and Federal formula funds to the county:

Federal Funds (FY's 10 to 15):	\$268.9 million
State STA Funds (FY's 10 to 15):	<u>\$ 26.1 million</u>

Total Direct Formula Funds:	\$295.0 million
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Additionally, our partner agencies collectively received an additional \$278.2 million in federal formula funds during the period.

Congestion Relief Benefits

According to Metrolink's passenger survey, approximately 82% of all Metrolink riders have an automobile available to make the trip. The use of Metrolink by these riders removes between 25,000 and 30,000 vehicle trips per day on the region's freeway system.

It is estimated that Metrolink Operations divert between ½ and 1 lane of vehicle traffic on parallel freeways during the peak period in the peak direction of travel. With current freeway levels of service (LOS) in Los Angeles County at or exceeding capacity during the peak period, the relatively minor addition of single-occupant vehicles may have significant impacts on congestion in and around Los Angeles County.

Environmental Benefits

Metrolink helps save over 22 million gallons of fuel each year, reducing carbon dioxide emissions by over 178,000 metric tons of carbon dioxide.

Metrolink is the first commuter rail system in the country to procure Tier 4 locomotives. Once operational, these Tier 4 locomotives are expected to reduce particulate matter and nitrogen oxide emissions by more than 85 percent compared to current Tier 0 locomotive engines, with 31 to 57 percent more horsepower, allowing for greater operational flexibility, capacity and reliability.

Other Benefits

Metrolink is among the first in the nation to develop and implement an operational Positive Train Control (PTC) system, the life-saving system that is designed to prevent train accidents.

Metrolink was an early leader in the development and implementation of quiet zones in a metropolitan environment, reducing the impact of train operations on surrounding communities.

With LAUS as the single largest destination within the system, with 68%, or 29,000, of all trips beginning or ending at the station, approximately 15,000 individuals per day make their way into Downtown Los Angeles which results in approximately 9,900 trips per day on Metro Rail and expands the labor market for Los Angeles County jobs.

As discussed in the previous committee meeting, Metrolink's Antelope Valley Line is increasingly serving as a vital link for transit dependent individuals with an estimated 34% of the riders on the line not having access to an automobile to otherwise complete their planned journey.

Finally, between 500 and 600 Metro employees use the Metrolink commuter rail system on a monthly basis to provide their daily commute.

Summary of Findings

- LA Metro is the largest partner within the Metrolink commuter rail operating system.
- Metrolink is providing a key service to Transit Dependent individuals on the Antelope Valley Line and increasingly on the San Bernardino Line.
- Metrolink's overall cost performance is in line with the commuter rail industry.
- Metrolink provides measurable financial and environmental benefits to Los Angeles County and Southern California.
- Metrolink's lack of revenue growth is exerting significant pressure on member agencies local resources.
- The basis for determining each member's level of investment is complicated, somewhat unpredictable, creates uncertainty, and may not allocate costs in a manner consistent with the benefits provided.
- Metrolink does not have the authority to create a financial obligation on behalf of any Member Agency without prior approval.
- A significant amount of the SCRRA's budget (80%-90%) is allocated on some form of mileage based allocation
- Changes in the relative weighted percentage of miles and an increased emphasis on variables measuring benefits could result in a more balanced formula from Metro's perspective.

FINANCIAL IMPACT

There is no Financial or Budget Impact should the Committee choose to Receive and File this report.

ALTERNATIVES CONSIDERED

None. This report implements a Board directed initiative.

NEXT STEPS

- In light of the findings of the Cost/Benefit Analysis, staff will seek an independent review of the cost and revenue allocation formulas to determine how they can more closely align Metro's contribution to commuter rail operations with the benefits received by LA County.
- Work with our Member Agency partners to review and potentially revise the allocation and formula structures.
- Provide the Committee additional information as requested.
- Continue to provide ongoing updates to the Finance, Budget, & Audit Committee and the Board as appropriate.

ATTACHMENTS

Attachment A - Joint Exercise of Powers Agreement (JPA)


Attachment B - Exhibit 3.7 - FY2015-16 Annual Operating Budget Distributions to Member Agencies

Attachment C - Line Item Allocation Variables

Attachment D - FY2015-16 Formulae Used to Allocate Expenses by Member Agency

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Phillip A. Washington
Chief Executive Officer

JOINT EXERCISE OF POWERS AGREEMENT TO ESTABLISH THE SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY (As Amended)

INTRODUCTION

This AGREEMENT is made and entered into in the State of California by and among the following public agencies that are parties to this AGREEMENT:

- (a) LOS ANGELES COUNTY TRANSPORTATION COMMISSION (LACTC)
- (b) ORANGE COUNTY TRANSPORTATION AUTHORITY (OCTA)
- (c) RIVERSIDE COUNTY TRANSPORTATION COMMISSION (RCTC)
- (d) SAN BERNARDINO ASSOCIATED GOVERNMENT (SANBAG)
- (e) VENTURA COUNTY TRANSPORTATION COMMISSION (VCTC)

RECITALS

WHEREAS, the parties to this Joint Exercise of Powers Agreement recognize the need under state law (Public Utilities Code Section 130255) for the creation of a joint powers agency to plan, design, construct and administer the operation of regional passenger rail lines serving the counties of Los Angeles, Orange, Riverside, San Bernardino and Ventura; and

WHEREAS, each party to this AGREEMENT is authorized to contract with each other for the joint exercise of any common power under Article 1, Chapter 5, Division 7, Title I of the Government Code of the State of California;

NOW THEREFORE, in consideration of the recitals and the rights, duties and covenants set forth herein, the parties to this AGREEMENT agree to the following:

1.0 CREATION OF AGENCY

There is hereby created an organization to be known as the Southern California Regional Rail Authority (AUTHORITY) which shall be a public entity separate and apart from any MEMBER AGENCY. The AUTHORITY shall be governed by the terms of this Joint Exercise of Powers Agreement and any bylaws passed and adopted by its GOVERNING BOARD.

The Executive Director of the AUTHORITY shall cause to be filed a notice of this AGREEMENT with the office of the Secretary of State within 30 days of its effective date, as required by Section 6503.5 of the Joint Powers Act.

2.0 PURPOSES

It is the purpose of the AUTHORITY to advance the planning, design and construction, and then to administer the operation, of regional passenger rail lines serving the counties of San Bernardino, Los Angeles, Ventura, Orange and Riverside.

3.0 POWERS OF THE AUTHORITY

As may be necessary for the accomplishment of the purposes of the AGREEMENT, the AUTHORITY shall have the power in its own name to undertake the following:

- 3.1 To exercise in the manner provided by this AGREEMENT the powers common to each of the voting members and necessary to the accomplishment of the purposes of this AGREEMENT. Powers common to each of the members shall include any powers granted to all members by legislative amendment subsequent to the date of this AGREEMENT.
- 3.2 To make and enter into contracts.
- 3.3 To employ agents and employees.
- 3.4 To contract for the services deemed necessary to meet the purposes of the agency.
- 3.5 To acquire, including the lease, purchase or lease purchase, hold and dispose of real and personal property necessary to carry out the purposes of this AGREEMENT.
- 3.6 To construct, manage, and maintain facilities, and services.
- 3.7 To sue and be sued in its own name.
- 3.8 To incur debts, liabilities and obligations. However, the debts, liabilities and obligations of the AUTHORITY shall not constitute any debt, liability, or obligation of any of the agencies who are parties to this AGREEMENT.
- 3.9 To apply for and accept grants for financial aid pursuant to any applicable state or federal statutes.
- 3.10 The AUTHORITY is subject to the statutory restrictions upon the manner of exercising the powers of the Orange County Transportation Authority.
- 3.11 To recommend all station sites and designs, and approve service levels to all stations.
- 3.12 To recommend funding shares for capital costs incurred in project implementation to its MEMBER AGENCIES based primarily on outcome of SB 1402 (Public Utilities Code Sections 130450 et seq.) study results.
- 3.13 To recommend funding shares for operating subsidies to its MEMBER AGENCIES based on the most recent information needed to make this decision.

- 3.14 To approve all marketing, fare structure, and operations policies;
- 3.15 To apply for and accept any Clean Air and Transportation Improvement Act of 1990, as amended (Act) funds or other funds available and appropriately sought by the AUTHORITY.
- 3.16 To select the commuter rail operator and administer the resulting operations and maintenance contracts.

4.0 ROLE OF MEMBER AGENCIES

While the AUTHORITY will oversee the implementation of the commuter rail projects, the support of the MEMBER AGENCIES is required. This support will involve the following types of actions:

- 4.1 Staff Support shall be provided by the MEMBER AGENCIES to assist in related studies, helping local cities build their stations, managing special design/construction work wanted solely by one MEMBER AGENCY and obtaining necessary permits and other local approvals.
- 4.2 Contract and Special Financial Support shall be provided by the MEMBER AGENCIES to assure that the AUTHORITY's actions are implemented quickly and efficiently, the project is managed properly on a local level, and required payments are handled quickly.
- 4.3 Policy Support shall be provided by the MEMBER AGENCIES to either approve, or respond quickly to, any recommendations made as to funding shares, operational decisions, fare structures, and other policy areas.
- 4.4 Each MEMBER AGENCY's Share of Capital and Operating Fund allocations, and Annual AUTHORITY Budget shall be approved by each MEMBER AGENCY.

5.0 GOVERNING BOARD OF THE AUTHORITY

5.1 Voting Members of the GOVERNING BOARD

All powers of the AUTHORITY shall be exercised by up to an eleven (11) member GOVERNING BOARD. The GOVERNING BOARD shall be selected and composed of members with voting powers as follows:

- 5.1.1 Four votes for the Los Angeles County Transportation Commission;
- 5.1.2 Two votes for the Orange County Transportation Authority;
- 5.1.3 Two votes for the Riverside County Transportation Commission;

5.1.4 Two votes for the San Bernardino Associated Governments;

5.1.5 One vote for the Ventura County Transportation Commission.

5.2 Selection of Voting Members

Members of the AUTHORITY GOVERNING BOARD shall be selected from members of the governing boards of the MEMBER AGENCIES or alternates appointed by the governing board of each MEMBER AGENCY.

Each MEMBER AGENCY shall have the ability to cast up to the number of votes allocated to it and shall determine who and how many will represent it.

5.3 Ex Officio Members of the GOVERNING BOARD

The San Diego Association of Governments (SANDAG), the Governor of the State of California*, and the Southern California Association of Governments (SCAG)** may appoint non-voting ex officio representatives to the GOVERNING BOARD. Other public agency members may be designated as ex officio, non-voting representatives.

5.4 Reimbursement of Expense

The expense reimbursement policies adopted by the LACTC shall be utilized for determining the reimbursement of expenses incurred on behalf of the AUTHORITY unless a different policy is subsequently adopted by the GOVERNING BOARD. The Treasurer of the AUTHORITY, as defined herein, shall administer reimbursements pursuant to that policy.

5.5 Meetings of the GOVERNING BOARD

The GOVERNING BOARD shall provide for its regular meetings provided that it shall hold at least one regular meeting in each quarter of each year and such further meetings as may be reasonable depending upon the pressure of business. The dates upon which and the hour and place at which any regular meeting shall be held shall be fixed by resolution and a copy of such resolution shall be filed with each MEMBER AGENCY.

5.6 Ralph M. Brown Act

All meetings of the GOVERNING BOARD, including without limitation, regular adjourned, regular and special meetings, shall be called, noticed, held and conducted in accordance with the provisions of the Ralph M. Brown Act (commencing with Section 54950 of the Government Code of the State of California).

* Appointed by Governor (preferably from Caltrans)

** Southern California Association of Governments (Director or above)

5.7 Minutes

The Secretary of the GOVERNING BOARD shall cause minutes of regular, adjourned regular and special meetings to be kept, and shall, after each meeting, cause a copy of the minutes to be forwarded to each member of the AUTHORITY.

5.8 Quorum and Voting

Three counties representing a minimum of six (6) votes, present at a GOVERNING BOARD meeting shall constitute a quorum for the transaction of business, except that a lesser number may adjourn for lack of a quorum. A minimum of six (6) votes of the GOVERNING BOARD is required to take action.

5.9 Officers of the GOVERNING BOARD

The GOVERNING BOARD shall elect from its members a Chairman and Vice Chairman at its first meeting and thereafter at the first meeting held in each succeeding calendar year, the AUTHORITY shall elect or re-elect its Chairman and Vice Chairman. In the event that the Chairman or Vice Chairman so elected ceases to be a member of the AUTHORITY, the resulting vacancy shall be filled at the next meeting of the AUTHORITY held after each vacancy occurs. In the absence or inability of the Chairman to act, the Vice Chairman shall act as Chairman. The Chairman, or in his absence the Vice Chairman, shall preside at and conduct all meetings of the AUTHORITY.

6.0 ADMINISTRATIVE STAFF OF THE AUTHORITY

6.1 It is the mutual interest of the parties that the LACTC shall serve as the Staff of the AUTHORITY. LACTC shall be designated as the Administrative Staff of the AUTHORITY until July 1, 1996.

6.1.1 Employees of the LACTC or its successor shall not be deemed to be employees of the AUTHORITY.

6.1.2 All materials and data prepared by the staff of the AUTHORITY shall be the sole property of the AUTHORITY. The AUTHORITY shall not be limited in its use of such materials or data.

6.1.3 The Administrative Staff shall be responsible for coordinating all AUTHORITY activities. The MEMBER AGENCIES shall contribute staff support as necessary to carry out the purposes and powers of the AUTHORITY.

6.1.4 Subject to the restrictions contained in Sections 6505.5 and 6505.6 of the California Government Code and any amendments or applicable regulations later enacted, the GOVERNING BOARD may appoint one of its officers to the positions of Treasurer or Auditor, or to both of these positions. Unless and until the GOVERNING BOARD makes a different designation or appointment, the Los Angeles County Metropolitan Transportation Authority's Deputy Executive Director - Finance and Administration shall serve as Auditor-Controller and Treasurer and shall comply with all duties imposed under Article 1, Chapter 5, Division 7, Title 1 of the California Government Code commencing with Section 6500.

7.0 LIABILITY OF AGENCY, OFFICERS AND EMPLOYEES

The debts, liabilities, and obligations of the AUTHORITY shall not be the debts, liabilities and obligations of the MEMBER AGENCIES. The GOVERNING BOARD members of the AUTHORITY, and officers, employees, and staff of the AUTHORITY shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this AGREEMENT. They shall not be liable for any mistakes of judgment or any other action made, taken or omitted by them in good faith, nor for any action with reasonable care, nor for loss incurred through investment of joint powers agency funds, or failure to invest. No GOVERNING BOARD member, officer or employee shall be responsible for any action taken or omitted by any other director, officer or employee. No director, officer or employee shall be required to give a bond or other security to guarantee the faithful performance of his or her duties pursuant to this AGREEMENT. The AUTHORITY shall indemnify and hold harmless the individual GOVERNING BOARD members, officers and employees for any action taken lawfully and in good faith pursuant to this AGREEMENT. Nothing in this section shall be construed to limit any defenses available to the AUTHORITY, its officers, employees, staff, governing body members, or MEMBER AGENCIES under any law, including the Government Tort Claims Act found in the California Government Code, Section 830, et seq.

8.0 ANNUAL BUDGET

The GOVERNING BOARD shall approve a preliminary administrative budget and a capital improvement program for the succeeding fiscal year no later than May 1 of each year. The Board shall adopt a final budget no later than June 30 of each year. No funding or financial obligation are created against any MEMBER AGENCY solely as a consequence of executing this AGREEMENT. The fiscal year shall be July 1 of each year and including the following June 30. The budget shall include separate components for administrative, operations, and capital costs anticipated to be incurred by the AUTHORITY during the fiscal year. Decisions dealing with capital and operating fund allocations, as well as annual approval of each MEMBER AGENCY'S share of the AUTHORITY'S annual budget, shall be approved by the MEMBER AGENCIES themselves.

9.0 FUNDING FOR THE AUTHORITY

In addition to any funds derived from grants provided for in this AGREEMENT, the voting MEMBER AGENCIES shall contribute the funds necessary to carry out the purposes and powers of the AUTHORITY, consistent with the AUTHORITY'S adopted budget and any cost sharing formula adopted by the voting MEMBER AGENCIES.

10.0 BYLAWS

The GOVERNING BOARD may adopt from time to time bylaws as may be required for the conduct of its meetings and the orderly operation of the AUTHORITY.

11.0 RELATIONSHIP OF INTERCITY RAIL SERVICE TO THE AUTHORITY

- 11.1 The LOSSAN Rail Corridor Agency presently handles all matters related to intercity passenger services. The member agencies of LOSSAN which are MEMBER AGENCIES or eligible to be ex officio representatives to the AUTHORITY are LACTC, OCTA, SANDAG and Caltrans.
- 11.2 Until funds are allocated pursuant to the Act, LOSSAN, along with any ex officio members who may be a part of, or appointed to, the LOSSAN intercity rail committee shall act as the intercity rail committee of the AUTHORITY for the Los Angeles/San Diego portion of the AUTHORITY'S intercity rail service.
- 11.3 Until funds are allocated pursuant to the Act, a committee made up of the VCTC and LACTC, along with any ex officio representatives who may be appointed to that committee including but not limited to representatives from Santa Barbara County, shall act as the intercity rail committee of the AUTHORITY for the Los Angeles/Santa Barbara portion of the AUTHORITY'S intercity rail service.
- 11.4 Each of the above-named interim committees shall meet immediately prior to any meeting of the AUTHORITY GOVERNING BOARD.

12.0 DURATION OF AGREEMENT

This AGREEMENT shall continue in full force and effect until such time as a majority of the MEMBER AGENCIES determine it is in the public interest to dissolve the AUTHORITY. This does not preclude MEMBER AGENCIES from exercising their prerogative to terminate their membership in the AUTHORITY. Any MEMBER AGENCY wishing to terminate its membership in the AUTHORITY shall give one (1) year's written notice to the AUTHORITY concurrent with the beginning of the AUTHORITY'S fiscal year. Termination shall become effective at the end of such fiscal year.

The rights and obligations of any MEMBER AGENCY terminating its membership in the AUTHORITY with respect to debts of the AUTHORITY, operating rights, return of assets or money in possession of the AUTHORITY to the terminating agency shall be determined by negotiation between the AUTHORITY and the terminating agency. In the

event that the AUTHORITY and the terminating agency are unable to satisfactorily resolve any dispute between them regarding said rights and duties, such dispute shall be submitted for arbitration pursuant to Section 17 below.

13.0 DISPOSITION OF ASSETS UPON TERMINATION BY ALL MEMBER AGENCIES

Upon termination of this AGREEMENT by mutual consent of all MEMBER AGENCIES, any money or assets in possession of the AUTHORITY after the payment of all liabilities, costs, expenses, and charges validly incurred under this AGREEMENT shall be returned to the MEMBER AGENCIES in proportion to their contributions determined as of the time of termination.

14.0 AUDIT

The AUTHORITY shall provide for the accountability of all funds and shall provide for an annual independent audit.

15.0 AMENDMENTS TO THE AGREEMENT

This AGREEMENT may be amended at any time by the unanimous agreement of the voting MEMBER AGENCIES.

16.0 PERIODIC REVIEW OF THE AUTHORITY

As determined by the GOVERNING BOARD, the AUTHORITY shall periodically review the circumstance and issues associated with the need for continuing the existence of the AUTHORITY.

17.0 ARBITRATION

In the event of a dispute between the AUTHORITY and its MEMBER AGENCIES, or any one MEMBER AGENCY, which cannot be satisfactorily resolved by those parties, said dispute shall be submitted to arbitration by a panel of three arbitrators pursuant to the rules of the American Arbitration Association. The panel of arbitrators shall consist of one arbitrator appointed by the governing body of the AUTHORITY and one arbitrator appointed by the MEMBER AGENCIES with whom the dispute exists and the third member shall be appointed by mutual consent of the other two arbitrators. The Arbitration panel shall resolve the dispute in accordance with the terms of this AGREEMENT.

In the event that a MEMBER AGENCY wishes to withdraw from the AUTHORITY, the Arbitration Panel shall consider in such arbitration foremost the importance of retaining the AUTHORITY's ability to achieve those purposes set forth in Section 2.0 (Purposes) of this AGREEMENT following the withdrawal of the terminating agency as weighed against the long-term interest of the terminating agency to manage its own affairs. Costs of arbitration shall be paid by the party against whose favor the arbitration, or any subsequent legal action arising out of the arbitration, is found.

18.0 SUCCESSOR STATUTES

All statutes cited herein shall be deemed to include amendments and/or successor statutes to the cited statutes as they presently exist.

19.0 CONSTRUCTION: NUMBER, GENDER AND CAPTIONS

This AGREEMENT has been executed in the State of California and shall be construed according to the law of said State. Numbers and gender as used herein shall be construed to include that number and/or gender which is appropriate in the context of the text in which either is included. Captions are included herein for the purposes of ease of reading and identification. Neither gender, number nor captions used herein shall be construed to alter the plain meaning of the text in which any or all of them appear.

20.0 AGREEMENT COMPLETE

This AGREEMENT constitutes the full and complete agreement of the parties.

IN WITNESS WHEREOF, the parties hereto have executed this AGREEMENT by authorized officials on the dates indicated below.

21.0 PROVISION

The AGREEMENT may be executed in one or more counterparts and may include multiple signature papers, all of which shall be deemed to be one instrument. Copies of this AGREEMENT will be used in lieu of the original.

**JOINT EXERCISE OF POWERS AGREEMENT
TO ESTABLISH THE SOUTHERN CALIFORNIA REGIONAL RAIL
AUTHORITY
(As Amended)**

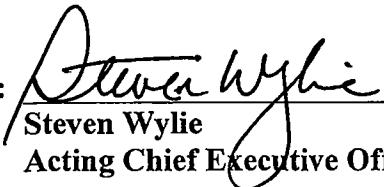
**LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY (LACMTA)
AS SUCCESSOR IN TRUST TO THE
LOS ANGELES COUNTY TRANSPORTATION COMMISSION**

BY:  DEEO
Julian Burke
Chief Executive Officer

11/29/00
Date

**JOINT EXERCISE OF POWERS AGREEMENT
TO ESTABLISH THE SOUTHERN CALIFORNIA REGIONAL RAIL
AUTHORITY
(As Amended)**

ORANGE COUNTY TRANSPORTATION AUTHORITY

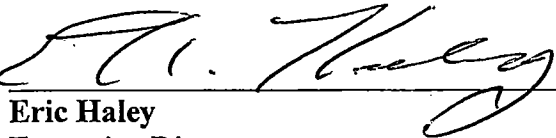
BY: 
Steven Wylie
Acting Chief Executive Officer

10/18/00
Date

**JOINT EXERCISE OF POWERS AGREEMENT
TO ESTABLISH THE SOUTHERN CALIFORNIA REGIONAL RAIL
AUTHORITY
(As Amended)**

RIVERSIDE COUNTY TRANSPORTATION COMMISSION (RCTC)

BY:



**Eric Haley
Executive Director**

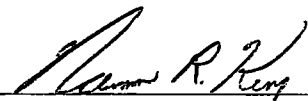
Date

10/17/00

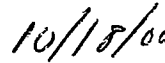
**JOINT EXERCISE OF POWERS AGREEMENT
TO ESTABLISH THE SOUTHERN CALIFORNIA REGIONAL RAIL
AUTHORITY
(As Amended)**

SAN BERNARDINO ASSOCIATED GOVERNMENTS (SANBAG)

BY:



**Norman King
Executive Director**



Date

**JOINT EXERCISE OF POWERS AGREEMENT
TO ESTABLISH THE SOUTHERN CALIFORNIA REGIONAL RAIL
AUTHORITY
(As Amended)**

VENTURA COUNTY TRANSPORTATION COMMISSION (VCTC)

BY:



Ginger Gherardi

Executive Director

11/7/97
Date

3.7.7 Exhibit 3.7 - FY2015-16 Annual Operating Budget Distributions to Member Agencies

	Proposed FY 15-16 Budget	Metro	OCTA	RCTC	SANBAG	VCTC
EXPENSES	228,968	119,017	50,380	21,647	25,471	12,452
REVENUES	101,458	53,535	24,286	7,655	12,624	3,357
NET LOCAL SUBSIDY	127,510	65,482	26,093	13,992	12,848	9,095

OPERATIONS

Revenues						
Farebox Revenue	84,446	42,879	20,737	7,019	11,312	2,499
Dispatching	2,663	1,355	905	11	57	335
Other Revenues	-	-	-	-	-	-
MOW Revenues	<u>14,348</u>	<u>9,301</u>	<u>2,644</u>	<u>625</u>	<u>1,255</u>	<u>524</u>
Operation Revenue Subtotal	101,458	53,535	24,286	7,655	12,624	3,357
Member Agency Revenues	109,431	55,855	21,836	12,650	10,695	8,396
Total Revenues	210,889	109,390	46,122	20,305	23,319	11,753
Operations & Services						
Train Operations	43,979	23,949	10,098	3,609	4,702	1,621
Equipment Maintenance	29,352	14,805	6,801	2,888	3,437	1,421
Contingency (Train Ops)	-	-	-	-	-	-
Fuel	22,952	11,934	5,803	2,035	2,436	743
Non-Scheduled Rolling Stock Repairs	232	124	55	17	28	9
Operating Facilities Maintenance	1,182	629	278	88	141	46
Other Operating Train Services	567	271	98	85	57	57
Rolling Stock Lease	640	304	127	71	92	46
Security - Sheriff	5,482	3,073	1,192	477	587	153
Security - Guards	2,010	961	347	300	201	201
Supplemental Additional Security	690	350	169	57	92	20
Public Safety Program	260	124	45	39	26	26
Passenger Relations	1,885	964	456	153	257	55
Holiday Trains	-	-	-	-	-	-
TVM Maintenance/Revenue Collection	6,703	2,769	1,506	1,069	971	389
Marketing	1,020	535	232	81	142	30
Media & External Communications	426	204	74	64	43	43
Utilities/Leases	2,677	1,279	463	399	267	268
Transfers to Other Operators	7,411	4,132	1,639	462	918	261
Amtrak Transfers	1,400	446	885	-	-	69
Station Maintenance	1,464	872	211	123	188	70
Rail Agreements	4,831	1,797	1,293	1,064	335	341
Subtotal Operations & Services	135,163	69,523	31,771	13,080	14,920	5,869
Maintenance-of-Way						
MoW - Line Segments	41,160	23,054	8,186	2,396	4,903	2,622
MoW - Extraordinary Maintenance	1,228	707	298	13	131	79
Subtotal Maintenance-of-Way	42,388	23,760	8,484	2,409	5,034	2,701
Administration & Services						
Staff						
Ops Salaries & Fringe Benefits	11,586	5,537	2,012	1,723	1,159	1,156
Ops Non-Labor Expenses	4,760	2,449	919	557	509	326
Indirect Administrative Expenses	13,621	6,510	2,354	2,032	1,361	1,364
Ops Professional Services	2,870	1,372	496	428	287	287
Subtotal Administration & Services	32,837	15,868	5,781	4,740	3,315	3,134
Contingency (Non-Train Ops)	501	239	87	75	50	50
Total Expenses Including MoW	210,889	109,390	46,122	20,305	23,319	11,753

RISK MANAGEMENT

Revenues						
Member Agency Revenues	18,079	9,627	4,257	1,343	2,152	700
PL/PD Revenues	-	-	-	-	-	-
Total Revenues	18,079	9,627	4,257	1,343	2,152	700
Insurance						
Liability/Property/Auto	12,880	6,859	3,033	956	1,533	498
Claims / SI	4,000	2,130	942	297	476	155
Claims Administration	1,198	638	282	89	143	46
Subtotal Insurance	18,079	9,627	4,257	1,343	2,152	700
Total Insurance / SIR Expenses	18,079	9,627	4,257	1,343	2,152	700

SCRRRA OPERATING BUDGET
LINE ITEM ALLOCATIONS

Budget Item	Current Allocation
Train Mile Allocation	
Train Operations	Train Miles- Current
Fuel	Train Miles- Current
Operating Contingency	Train Miles- Current
Direct to Line Segments/Territories	
Rail Agreements	Direct To Lines/Then to Members
MoW - Line Segments	Train Miles of Service on Territory
MoW - Extra-Ordinary Maintenance	Train Miles of Service on Territory
Holiday Trains	Direct To Lines/Then to Members
Amtrak Transfers	Direct To Lines/Then to Members
Route Miles Dispatched	
Dispatching	Route Miles Dispatched
Ridership/Revenue Distributions	
Transfers to Other Operators	Ridership/Revenue Distribution
Supplemental Additional Security	Ridership/Revenue Distribution
Base Allocation	
Equipment Maintenance	75% Train Miles - Lagged/25% Undup Stations
Operating Contingency (Bombardier)	Train Miles - Lagged
Non-Scheduled Rolling Stock Repairs	Train Miles - Lagged
Operating Facilities Maintenance	Train Miles - Lagged
Other Operating Train Services	Unduplicated Route Miles (Excl SD Co)
Security - Sheriff	Train Miles - Lagged
Security - Guards	Unduplicated Route Miles (Excl SD Co)
Public Safety Program	Unduplicated Route Miles (Excl SD Co)
Utilities/Leases	Unduplicated Route Miles (Excl SD Co)
Passenger Relations - Call Boxes	Unduplicated Stations
Contingency (Non-Train Operating)	Unduplicated Route Miles (Excl SD Co)
TVM Maintenance/Revenue Collection	TVMs
Station Maintenance - Non-Union Station	Unduplicated Stations
Station Maintenance - Union Station	Revenue Moves thru LAUS
Passenger Service Representatives	Unduplicated Route Miles (Excl SD Co)
Passenger Relations - Call Center/Other	Ridership Distribution - Lagged
Marketing/Market Research	Ridership Distribution - Lagged
Media & External Communications	Unduplicated Route Miles (Excl SD Co)
Liability/Property/Auto	Train Miles - Lagged
Claims	Train Miles - Lagged
Claims Administration	Train Miles - Lagged
Salaries & Fringe Benefits	Unduplicated Route Miles (Excl SD Co)
Non-Labor Costs	Unduplicated Route Miles (Excl SD Co)
Allocated Overhead	Unduplicated Route Miles (Excl SD Co)
Services	Unduplicated Route Miles (Excl SD Co)
Revenues	
Operating Revenues	
Farebox Revenue	Credited to originating line segment then to Members by Train Miles on segment
Dispatching Revenue	Direct to Members by Agreed Percentages
Other Operating Revenue except PL/PD	
Marketing Revenues	Ridership Lagged
TVM Maintenance & Revenue Collection - Amtrak	TVMs in each county
Equipment Lease Proceeds	All-Share
Storm Damage - Bus Bridges and Miscellaneous	Unduplicated Route Miles
Other Operating Revenue - PL/PD Revenues	Train Miles - Lagged
Maintenance-of-Way	Direct ot Members owners of the Right-of-Way
Other Revenue	
Interest Income	% of Cash (Beginning Balance plus Receipts) by Member to Total SCRRRA Cash Balance (Calculated on a Quarterly Basis)
Supplemental Security Carryforward	Follow fare revenues

9.10.1 Exhibit 9.1

FY2015-16 Formulae Used to Allocate Expenses by Member Agency

Allocation	MTA	OCTA	RCTC	SANBAG	VCTC
Train Miles Lagged (FY14)	53.25%	23.55%	7.43%	11.91%	3.87%
FY16 Budget Train Miles	54.69%	21.08%	8.86%	11.31%	4.06%
Revenue Moves Thru LAUS	64.17%	12.68%	6.36%	13.11%	3.68%
Unduplicated Stations (Incl Buena Park)	44.07%	20.34%	15.25%	11.86%	8.47%
TVMs (Excl TOMs & Flower St)	41.30%	22.46%	15.94%	14.49%	5.80%
Ridership Lagged (FY14)	52.47%	22.77%	7.97%	13.89%	2.90%
Current Ridership w/o IEOC (Transfer Payments)	57.59%	19.20%	5.17%	14.29%	3.74%
FY16 Fare Revenue	50.78%	24.56%	8.31%	13.40%	2.96%
75% Train Miles Lagged/25% Unduplicated Stations	50.95%	22.75%	9.38%	11.90%	5.02%
S.B. Line Trn Miles - (60%-40%)	59.82%	0.00%	0.00%	40.18%	0.00%
SB Weekend	59.82%	0.00%	0.00%	40.18%	0.00%
S.B. Incremental (100% SANBAG)				100.00%	
Ven Line Trn Miles	61.41%	0.00%	0.00%	0.00%	38.59%
A.V. Line Trn Miles (combine wk and we)	100.00%	0.00%	0.00%	0.00%	0.00%
Riv Line Trn Miles	60.54%	0.00%	23.13%	16.33%	0.00%
O.C. Line Trn Miles (combine wk and we)	30.50%	69.50%	0.00%	0.00%	0.00%
O.C. Line Trn Miles - Incremental (100% OCTA)		100.00%			
OC MSEP		100.00%			
IEOC Line Trn Miles	0.00%	62.44%	32.04%	5.52%	0.00%
IEOC Weekday Incremental Trn Miles	0.00%	63.87%	35.78%	0.35%	0.00%
IEOC Line: San Bernardino-Oceanside		69.23%	24.18%	6.59%	
IEOC Line: Riverside-Oceanside		77.00%	23.00%		
91 Line Trn Miles	29.69%	27.86%	42.17%	0.28%	0.00%
Route Miles Dispatched	64.25%	19.28%	0.24%	10.19%	6.05%
All-Share (MoW)	47.50%	19.80%	11.10%	14.40%	7.20%
All-Share (MoW) w/o IEOC/MSEP	47.50%	19.80%	11.10%	14.40%	7.20%
Route Miles Owned (MoW Storm Damage)	57.55%	24.27%	1.07%	10.69%	6.41%
Undup Route Miles (Excl S.D.)	47.79%	17.28%	14.92%	9.99%	10.02%
MTA Train Miles	100.00%				
OCTA Train Miles		100.00%			
RCTC Train Miles			100.00%		
SANBAG Train Miles				100.00%	
VCTC Train Miles					100.00%