



Board Report

File #: 2018-0021, **File Type:** Informational Report

Agenda Number: 30.

FINANCE, BUDGET, AND AUDIT COMMITTEE MARCH 14, 2018

SUBJECT: FY19 BUDGET DEVELOPMENT UPDATE

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE FY19 Budget Development Update.

ISSUE

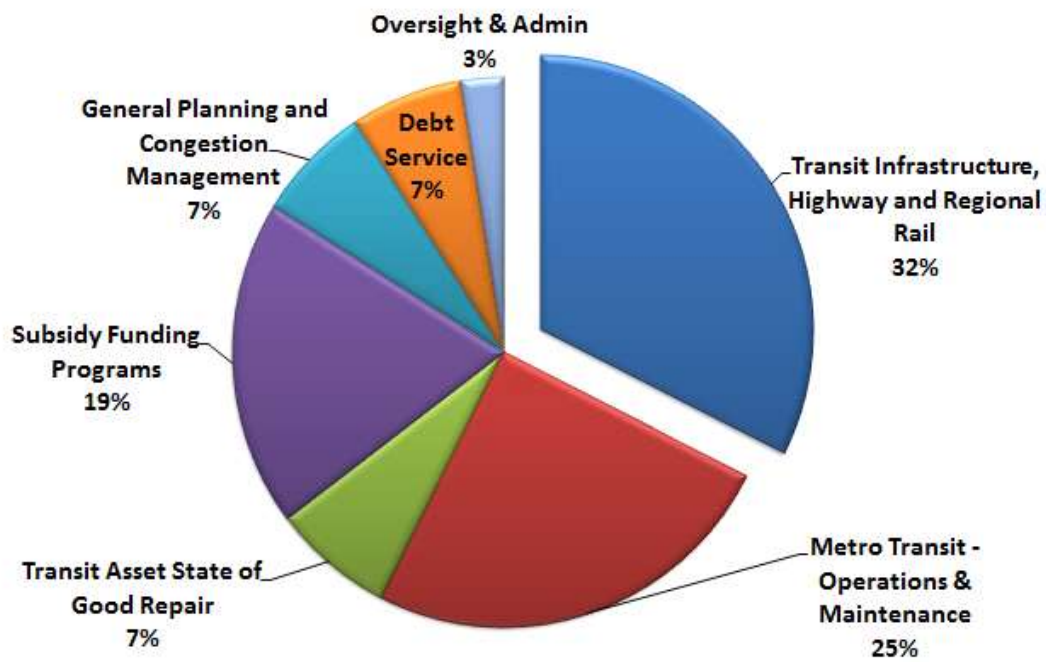
This report is the second in a series of FY19 Budget development updates leading to the FY19 Budget adoption for Board consideration in May 2018. In this report, staff will present the Transit Project Construction/Planning, Highway, and Regional Rail programs for FY19. This report will describe the agency's implementation plans to meet the Measure M / Measure R (MM/MR) priorities as well as the current status of the expanded public outreach efforts to obtain public and stakeholder input.

DISCUSSION

Transit Infrastructure, Highway and Regional Rail

The preliminary FY19 budget is balanced at approximately \$6.5 billion estimated expenditures. This report focuses primarily on Transportation Infrastructure Development Programs. As shown in Figure 1, this category represents almost one third, 32% or \$2.2 billion, of the preliminary FY19 Proposed Budget. It includes Transit Construction and Planning Activities (\$1,674.8 million), Highway Expansion (\$304.5 million), and Regional Rail / Metrolink Projects (\$178.3 million).

Figure 1: FY19 Preliminary Budget Percentage by Program



Transit Project Construction/Planning

Westside Purple Line Extension (WSE PLE), including the Division 20 expansion required for enabling revenue operations at the completion of subway extensions, Regional Connector and Crenshaw LAX projects combined account for 87%, or \$1,461.3 million, of the \$1,674.8 million Transit Project Construction/Planning program budget proposed for FY19. The table in Figure 2 below shows the program breakdown by major projects. It identifies year over year budget changes at the project level and the respective project Life of Project (LOP) expenditure rate anticipated by the end of FY19.

Figure 2:

	MM/MR Transit Expansion Projects Cashflow (\$ in 000's)	FY 18 Budget	FY 19 Proposed Budget	FY 19 less FY 18	% Expend thru FY 19
TRANSIT					
1	Westside Purple Line Ext (WSE PLE) Sect 1*	379,597	287,221	(92,385)	49%
2	WSE PLE Sect 2*	267,331	344,163	76,832	36%
3	WSE PLE Sect 3**	245,247	228,049	(17,199)	14%
4	WSE PLE Div 20 Turnback & Portal Widening	73,303	73,564	261	
5	Crenshaw LAX / SWY / Div 22 / Addl Activities*	409,713	315,440	(94,272)	97%
6	Regional Connector*	200,999	212,854	11,855	69%
7	GoldLine Foothill Ext to Claremont*	22,212	39,757	17,545	4%
8	Airport Metro Connector**	76,284	27,671	(48,613)	16%
9	East SFV Transit Corridor**	3,206	26,017	22,811	3%
10	W Santa Ana Branch Corridor**	5,534	23,859	18,325	1%
11	SFV I-405 / Sepulveda Pass Transit Corridor**	4,774	18,354	13,580	
12	Orange Line Improvements**	9,108	15,011	5,903	6%
13	Business Interruption Fund	7,000	9,188	2,188	
14	Eastside Light Rail Access*	3,946	8,925	4,979	84%
15	Expo II & Foothill Project Closeouts	5,117	7,270	2,153	
16	Eastside Extension II**	5,432	5,822	390	
17	Planning Studies for MM/MR Transit Projects		31,621	31,621	
18	Meas R / M Transit Expansion	1,718,802	1,674,775	(44,027)	
	*Current Board Authorized Life of Project Budget				
	**Uses Project Cost Estimate in 2015\$ per Measure M Ordinance Attachment				

Westside Purple Line Extension (WSE PLE)

Section 1 of Westside Purple Line Extension will expend 49% of the project with major advancement in construction phase. For WSE PLE Sections 2 and 3, the final designs are yet to be completed at this time. However, Section 2 plans for \$344.2 million in FY19 or 36% in total LOP expenditure rate. This indicates a substantial completion of the final design, acquisition of all critical subsurface easements and the start of construction phases. WSE PLE Section 3 will leverage \$227.2 million annual budget allocation to seek Federal funding approval of the Full Funding Grant Agreement (FFGA) to start critical final design and early construction activities. Division 20 Improvements are included in WSE PLE Section 3 scope to meet the operation headway requirements with the last extension of subways to the west side.

Crenshaw/LAX

Most notable in the FY19 transit construction budget is the Crenshaw LAX Project which reflects substantial expenditures at 97%. In FY19, the project will move on to Systems Integration and Pre-Revenue testing phases; leading to a target opening date in October 2019.

Regional Connector

Regional Connector requests for \$212.9 million annual cash flow allocation; targeting for a 69% expenditure rate of the LOP budget by the end of FY19. The project will pass the halfway mark of construction to complete major excavation activities. Excavations will be done to allow for connections to Little Tokyo of the Gold Line Eastside Extension and the crossover section heading toward the 7th / Metro Station. In addition, significant concrete installations at most stations will be complete as well.

Other Significant Transit Projects

The Gold Line Foothill Extension 2B from Azusa to Claremont and the Orange Line Improvements Project are expected to be groundbreaking in FY19. These projects are budgeted for \$39.8 million and \$15.0 million respectively to support the transition from planning phases to design, engineering and construction phases. In addition, the Airport Metro Connector Project is budgeted for \$27.8 million in FY19 to meet the groundbreaking timing in Measure M Ordinance.

Planning Studies for Measure M / Measure R Transit Projects

This Planning Study budget line at \$31.6 million is the bundle of many first decade Measure M / Measure R Projects per Ordinance in the early conceptual planning stage to meet the future project groundbreaking dates, see Attachment A for Measure M Projects with First Decade Groundbreaking Dates. It provides for advance conceptual design support to a state of readiness. In doing so, Metro also maximizes its potential for other funding opportunities while leveraging the Measure M / Measure R funds. Some projects bundled in this line include projects such as the BRT Connector Orange / Red Line to Gold Line, Green Line Ext to Redondo Beach, Vermont Transit Corridor, Crenshaw LAX Track Enhancement, LA River Waterway & System Bikepaths and the Sepulveda Pass Transit Corridor Phase II.

Overall, there is a net decrease of \$44 million budget from FY18 to FY19 in the Transit Projects category. This represents the cash flow needs for the program progress to date. As projects near completion, cash flow demands slow down and the resource requirements migrate from construction activities to Systems Integration and Pre Revenue Testing phase to prepare for revenue operations.

Highway Development and Maintenance

The Highway Program continues to grow year over year as a variety of projects are entering construction phases. Work efforts from Plans, Specifications & Estimates (PSE) and Project Approval / Environmental Document (PAED) phases are in completion and will be released for bid development in FY19. In total, the Highway Program has grown from \$162.2 million in FY18 to \$304.5 million in FY19 as shown in Figure 3.

Figure 3:

	Highway Projects Cashflow (\$ in 000's)	FY18 Budget	FY19 Proposed Budget	FY19 less FY18
	HIGHWAY			
1	MM / MR Subregional Projects	68,588	137,497	68,909
2	MM / MR Caltrans	24,746	70,290	45,544
3	MR ITS & Metro Managed Total	27,923	29,318	1,394
4	Soundwall Projects	15,483	43,153	27,669
5	I-405 Closeout	6,090	3,572	(2,519)
6	Highway Planning Efforts	19,369	20,636	1,267
7	Highway	162,201	304,466	142,265

The \$142.3 million, or 88%, increase from FY18 is firstly due to the Measure M and Measure R Sub-Regional Projects identified by the five Regional Council of Governments (COG). Subsidies to these regional projects will double in FY19; representing \$68.9 million increases. A semi-annual report is provided by the Highway Department under Program Management to update the board on the status of the individual Sub Regional Highway Project. Subsidy to Caltrans for Highway construction and planning will increase by \$45.5 million. Metro will also further the progresses on various Soundwall Projects for a proposed \$43.2 million.

The Highway Program is different from the Transit Project Construction as the completed project is a non-Metro owned asset. In most of the Highway projects, Metro is the planning and early engineering support provider. This effort amounts to \$20.6 million in FY19. Metro Highways will continue PSE and PAED activities which will refine the project scopes and cost estimates through FY19 and beyond.

Regional Rail / Metrolink Projects

Metro’s Regional Rail program consists of Metro’s Operating and Capital support of the Metrolink commuter rail system as well as Metro managed regional rail capital expansion, development, construction, and corridor studies as shown in Figure 4.

Figure 4:

	Regional Rail / Metrolink Operations Projects Cashflow (\$ in 000's)	FY18 Budget	FY19 Proposed Budget	FY19 less FY18
	REGIONAL RAIL			
1	Rosecrans & Marquardt Grade Separation	20,917	30,487	9,570
2	LINK Union Station (LINKUS)	24,970	29,300	4,330
3	Brighton to Roxford Double Track	4,500	6,662	2,162
4	Other Projects/Staff Support	16,094	7,703	(8,391)
5	Metrolink Operations	76,976	76,976	0
6	Metrolink Captial & State of Good Repair	34,698	27,221	(7,477)
7	Regional Rail	178,155	178,349	194

Metro Regional Rail

Identified by the State of California as the number one grade crossing separation project in the state, the Rosecrans/Marquardt grade crossing project is expected to advance in property acquisition and completion of design. LINK US project at Los Angeles Union Station (LAUS) intends to expand the capacity and operational efficiency of LAUS for rail operations. At the same time, Metro expects to move forward with the design of the Brighton to Roxford double tracking project in the east San Fernando Valley. Several capacity studies will be conducted in FY19, such as Union station to Burbank, North County and San Bernardino Lines.

Metrolink Commuter Rail

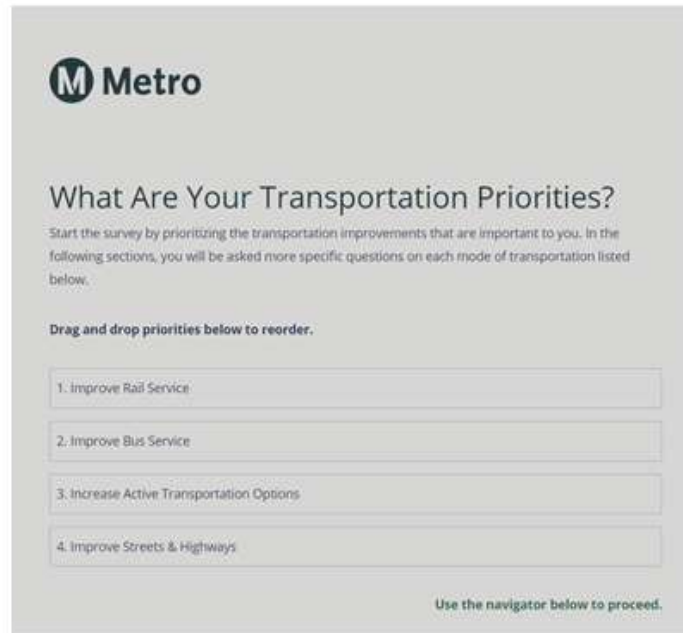
Funding for Metrolink commuter rail operations is currently assumed at FY18 levels, while Metrolink finalizes the cash flow requirements for previously approved capital and state of good repair projects. These projects include the procurement of new Ticket Vending Machines (TVMs), track, signal and infrastructure upgrades on the Antelope Valley and San Bernardino Lines, and the rehabilitation of the first generation passenger rail vehicles.

Outreach Update

Online Budget Tool

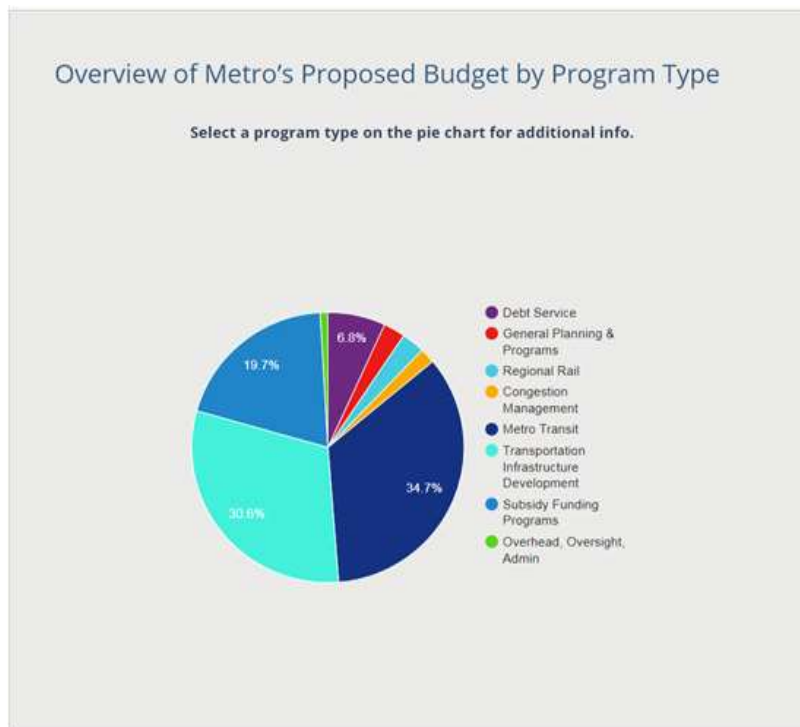
This month Metro will launch the interactive Online Budgeting Tool, which engages the public in the budgeting process by walking users through a series of questions designed to gather input on transportation priorities. With nearly 5,000 responses last year, the Online Budgeting Tool has a proven ability to yield the greatest level of engagement from the public across all outreach methods. To further enhance the response rate, marketing efforts and social media campaign will be deployed to encourage even more members of the public and key stakeholders to utilize the Online Budgeting Tool. Figure 5 and Figure 6 are the initial screen shots upon entering the Online Budgeting Tool page.

Figure 5:



The new survey for FY19 starts by asking the public to rank their transportation priorities by mode, and the remaining questions solicit input on a wide variety of Metro projects, such as transit service, Active Transportation, First/Last Mile, streets & highways, and the parking program. Based on feedback from last year’s respondents, the tool this year will provide additional background information on the types of programs in the budget, Metro’s role within LA County, and the budgetary restrictions Metro faces on an annual basis.

Figure 6:



Telephone Town Hall

Last year, Metro hosted one Telephone Town Hall meeting to discuss the budget and answer other questions the community had about the agency. There were 3,000 participants in that session, who asked very thoughtful questions about the budget as well as service planning and future plans. This year, two Telephone Town Halls are scheduled next month on Wednesday, April 4 and Thursday, April 5. The additional Town Hall Meeting will allow even more people to participate and provide their feedback on the budget and Metro's NextGen bus restructuring study. Using innovative telephone technology, Metro staff will speak directly with members of the community, providing information and answering questions related to Transit and Transportation programs in the budget. Each evening, thirty thousand registered voters will be called through an automated system and invited to participate in the telephone forum. The meetings will be simulcast in English and Spanish. Interested residents can dial in directly to participate in English or Spanish or can participate through a specially designated website.

FINANCIAL IMPACT

This report is part of an overall agency wide budget which will be presented to the Board for action in May 2018. There is no direct financial impact by this Receive and File report.

ALTERNATIVES CONSIDERED

The annual budget serves as the legal authority to obligate and spend funds. Failure to adopt the budget would severely impact Metro's stated goal of improving transportation in Los Angeles County.

NEXT STEPS

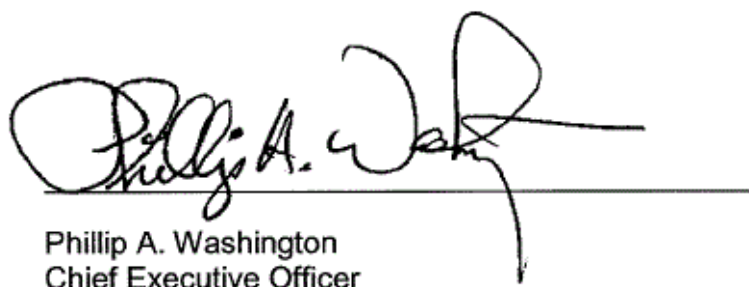
Metro staff will continue to finalize the FY19 Budget Proposal. As more budget details become available, staff will conduct outreach to the stakeholder groups for in-depth and technical discussions of Transit Services and Transportation Programs included in FY19 Proposed Budget. The programs funded in FY19 Proposed Budget, including any updates since the first review with the Board in February, will be consolidated and exhibited in the FY19 Proposed Budget Book 14 days before Budget Public Hearing on May 16, 2018.

ATTACHMENTS

Attachment A: Measure M Projects with First Decade Groundbreaking Dates

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Office of Management and Budget (OMB) Team

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088



Phillip A. Washington
Chief Executive Officer

ATTACHMENT A

MEASURE M PROJECTS WITH FIRST DECADE GROUNDBREAKING DATES

	Measure M Projects Groundbreakings thru 2024 (\$ in 000's)	Ground Breaking	Ordin- ance	Sub- Region	Est Costs in 2015\$
1	Airport Metro Connect 96th St. Station/Green Line Ext LAX ®	2018	R/M	sc	\$581,000
2	Westside Purple Line Extension Section 3 ®	2018	R/M	w	\$1,980,390
3	High Desert Corridor (HDC) Right-of-Way ®	2019	R/M	nc	\$270,000
4	I-5 N Cap. Enhancements (SR-14 to Lake Hughes Rd) ®	2019	R/M	nc	\$784,080
5	Gold Line Foothill Extension to Claremont ®	2019	R/M	sg	\$1,097,000
6	Orange Line BRT Improvements	2019	M	sf	\$286,000
7	BRT Connector Orange/Red Line to Gold Line	2020	M	av	\$240,300
8	BRT Connector Orange/Red Line to Gold Line	2020	M	sf	\$26,700
9	East SF Valley Transit Corridor Project ®	2021	R/M	sf	\$1,331,000
10	West Santa Ana Transit Corridor LRT Seg 1 ®	2022	R/M	gc	\$1,035,000
11	West Santa Ana Transit Corridor LRT Ph 2 ®	2022	R/M	sc	\$1,482,500
12	West Santa Ana Transit Corridor LRT Ph 2 ®	2022	R/M	sg	\$1,482,500
13	Crenshaw/LAX Track Enhancement Project	2022	M	sc	\$49,599
14	SR-71 Gap from I-10 to Rio Rancho Rd.	2022	M	sg	\$275,000
15	LA River Waterway & System Bikepath	2023	M	cc	\$365,000
16	Complete LA River Bikepath	2023	M	sf	\$60,000
17	Sepulveda Pass Transit Corridor (Ph 1) ®	2024	R/M	sf	\$130,000
18	Sepulveda Pass Transit Corridor (Ph 1) ®	2024	R/M	w	\$130,000
19	Sepulveda Pass Transit Corridor (Ph 2) ®	2024	R/M	sf	\$2,837,000
20	Sepulveda Pass Transit Corridor (Ph 2) ®	2024	R/M	w	\$2,837,000
21	Vermont Transit Corridor	2024	M	cc	\$425,000
22	SR-57/SR-60 Interchange Improvements	2025	M	sg	\$770,000
23	Green Line Extension to Crenshaw Blvd in Torrance ®	2026	R/M	sb	\$891,000
24	I-710 South Corridor Project (Ph 1) ®	2026	R/M	gc	\$400,000
25	I-105 Express Lane from I-405 to I-605	2027	M	sc	\$175,000
26	First Decade Groundbreaking Projects Total				\$19,941,069

FISCAL YEAR 2019 BUDGET DEVELOPMENT UPDATE

Finance, Budget and Audit Committee
March 14, 2018

Meeting Agenda

- FY19 Budget Process and Schedule
- Outreach Update
- FY19 Preliminary Budget by Program Overview
- Expenses
 - Transit Expansion
 - Highway Construction
 - Regional Rail
- Next Steps

FY19 Budget Process and Schedule



Month	Topic
February	Process and Budget Outlook <ul style="list-style-type: none"> • Budget Development Process and Schedule • Stakeholder Outreach Plan • Sales Tax Forecast, Resources Assumptions • Cost Inflation Estimate
March	New Infrastructure Planning and Construction <ul style="list-style-type: none"> • New Transit System: Rail, Bus Rapid Transit • Highway • Regional Rail • Outreach Update
April	Operating Budget and Regional Subsidy <ul style="list-style-type: none"> • Metro Transit, including Bus and Rail Service Levels • State of Good Repair (SGR) • Subsidy to Regional Partners • Other Agency-wide Programs
May	FY19 Budget Adoption (Planned) <ul style="list-style-type: none"> • Consolidated Agency-wide Expenses and FTEs Budget Proposal • Public Hearing on May 16, 2018 • Summary of Public Comment and Stakeholder Review • Final Board Adoption on May 24, 2018
June	<ul style="list-style-type: none"> • Prep Funds Availability for Metro Programs & Regional Allocations

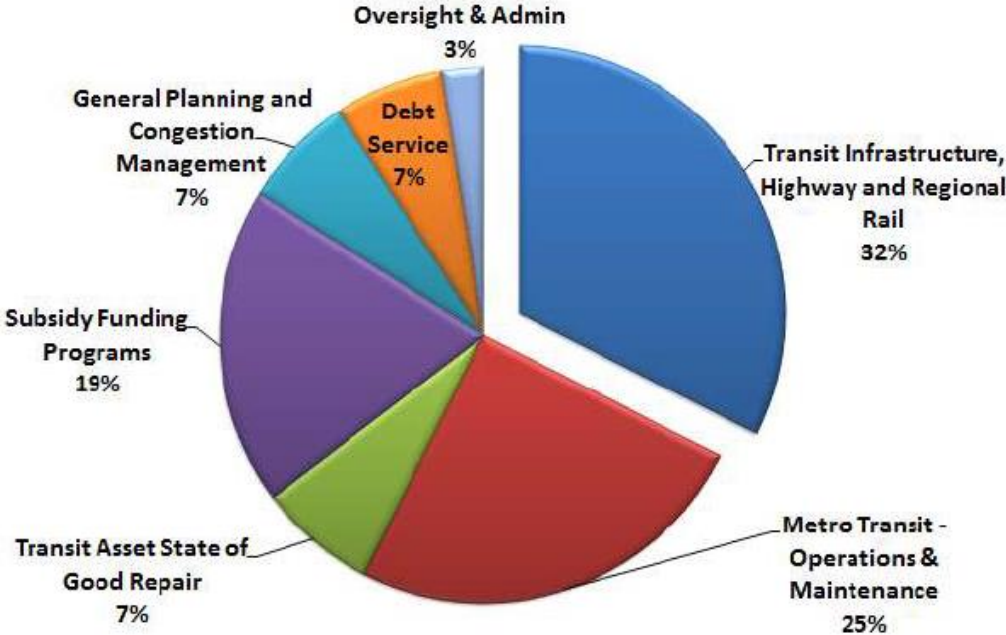
Outreach

- Outreach will be conducted throughout the budget process until board adoption
- Soliciting input with “bottoms-up” approach through key groups (transit riders, communities, key stakeholders, transit operators, and general public)
- Continue to utilize social media campaigns to deliver more information on the budget
- Online Budget Tool
- Telephone Town Hall

Type	Description	Dates
Board Updates	Monthly Board Reports will provide status of budget process	Finance & Budget Committees (Feb/Mar/Apr/May)
Board Staff Briefings	Meetings will be held on specific budget topics with Departments	Focused briefings (Feb/Mar/Apr/May)
Stakeholder meetings	Policy Advisory Committee Technical Advisory Subcommittee Bus Operations Subcommittee Local Transit Systems Subcommittee Streets & Freeways Citizens Advisory Council	Apr 3 Apr 4 Apr 17 Apr 19 Apr 19 Mar 21, Apr 25
Public	Service Council Meetings Telephone Town Hall Meeting On-Line Budgeting Tool Blog posts on theSource Website to provide latest budget information Metro TakeOnes Email for public to provide comments Public Hearing	Apr 4-13 Apr 4-5 Mar/Apr/May Mar/Apr/May Mar/Apr/May Mar/Apr/May Mar/Apr/May May 16
Board and Deputy briefings	Will be scheduled as requested with each of the Board offices	May (as requested)

FY19 Preliminary Budget by Program Overview

Current preliminary FY19 target is estimated to be \$6.5B

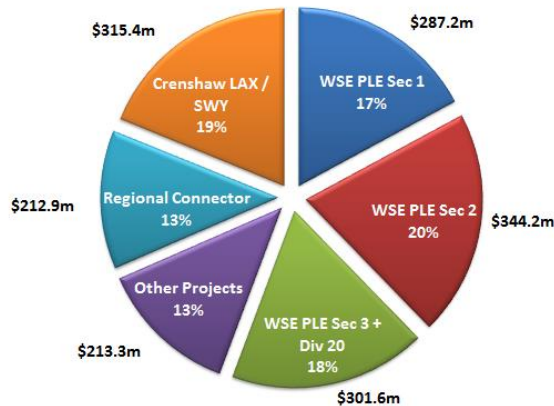


*FY19 Preliminary Budget subject to change as budget becomes finalized

FY19 Transit Expansion

MM/MR Transit Expansion Projects Cashflow (\$ in 000's)	FY 18 Budget	FY 19 Proposed Budget	FY 19 less FY 18	% Expend thru FY 19
TRANSIT				
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*Current Board Authorized Life of Project Budget				
**Uses Project Cost Estimate in 2015\$ per Measure M Ordinance Attachment				

- Total Transit expansion program is estimated at \$1,674.8M for FY19
- 87% of the Proposed Transit Expansion Budget is planned for 3 major projects:
 - Westside Purple Line Extension Sections 1-3, including division 20 expansion for a total of \$933M
 - Regional Connector Light Rail Transit for \$213M; target opening on Dec. 2021
 - Crenshaw LAX / Southwestern Yard for \$315M; target opening on Oct. 2019
- FY19 Groundbreakings Planned:
 - Gold Line Foothill to Claremont \$40M
 - Orange Line Improvements for \$15M
- Business Interruption Fund is at \$9.2M project allocations



FY19 Highway Construction

Highway Projects Cashflow (\$ in 000's)		FY18 Budget	FY19 Proposed Budget	FY19 less FY18
HIGHWAY				
1	MM / MR Subregional Projects	68,588	137,497	68,909
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6	Highway Planning Efforts	19,369	20,636	1,267
7	Highway	162,201	304,466	142,265

- Annual growth is \$162M to \$304M representing 88% year over year
- Highways are not a Metro asset, as Metro normally manages front end efforts:
 - Plans, Specifications & Estimates (PS&E)
 - Project Approval/Environmental Document (PA/ED)
 - Project Implementation Document (PID)
- Measure **R/M** Sub Regional projects grow from \$68.6M to \$137.5M
- MR Caltrans projects grow from \$24.7M to \$70.3M
- MR ITS & Metro Managed projects grow from \$27.9M to \$29.3M
- Soundwall Projects \$43.2M
- I-405 Closeout Project \$3.6M

FY19 Regional Rail

	Regional Rail / Metrolink Operations Projects Cashflow (\$ in 000's)	FY18 Budget	FY19 Proposed Budget	FY19 less FY18
	REGIONAL RAIL			
1	Rosecrans & Marquardt Grade Separation	20,917	30,487	9,570
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6	Metrolink Captial & State of Good Repair	34,698	27,221	(7,477)
7	Regional Rail	178,155	178,349	194

- The FY19 Regional Rail program expenditure levels remain flat from FY18. \$178.2M versus \$178.3M

Metro Regional Rail Project highlights in FY19 Budget include:

- Link US design/engineering
- Rosecrans/Marquardt Grade Crossing Project
- Brighton to Roxford design/engineering
- Doran Street Grade Crossing design/engineering
- Capacity studies on the:
 - Antelope Valley Line – LAUS to Burbank
 - Antelope Valley Line – North County
 - San Bernardino Line
- Grade Crossing safety enhancements and improvements study; New Burbank Airport Station closeout

Metrolink operating subsidy is currently proposed to remain equal to FY18 Board approved level

Next Steps

- Monthly Board Status Update until targeted May Budget Adoption
- Continue outreach efforts to engage stakeholder groups utilizing social media and creative venues, such as Telephone Town Hall and Online Budgeting Tool
- Public hearing of the proposed budget will take place on May 16th
- Final board adoption expected on May 24th
 - Board adoption legally required before fiscal year start

