



Board Report

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FINANCE, BUDGET, & AUDIT COMMITTEE AUGUST 19, 2020

SUBJECT: FY21 BUDGET DEVELOPMENT UPDATE

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE FY21 Budget Development Update.

ISSUE

This report is part of a series of status updates on the FY21 Budget development, leading to Board consideration for adoption in September 2020. The preliminary budget plan aims to balance the budget under the economic constraints caused by COVID-19 while allocating resources to achieve Metro Vision 2028 goals in a fiscally responsible manner.

DISCUSSION

In May, Metro Board of Directors adopted a Continuing Resolution to extend FY20 Budget authorization through the first quarter of FY21 which provided an opportunity to reset the financial forecast due to the COVID-19 pandemic. All Metro activities have been reassessed to reprogram the resources available for Metro and regional activities in the upcoming year within the current economic constraints.

Budget Development Process

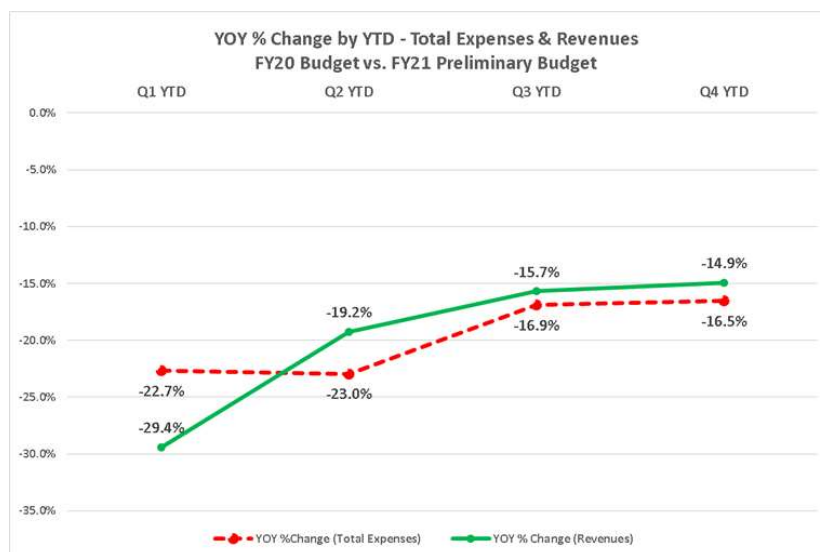
While making strides towards achieving the Metro Vision 2028 goals:

- Provide high-quality mobility options that enable people to spend less time traveling.
- Deliver outstanding trip experiences for all users of the transportation system.
- Enhance communities and lives through mobility and access to opportunity.
- Transform Los Angeles County through regional collaboration and national leadership.
- Provide responsive, accountable, and trustworthy governance within the LA Metro

organization.

Metro continues to reimagine the future of Los Angeles County and its transportation network in delivering equity, sustainability, prosperity, and better quality of life for all county residents.

The severity and uncertain duration of the COVID-19 pandemic and the rollback in the State's reopening has had a negative impact on the Agency's financials and operations. Metro will temporarily experience near term budget and cashflow challenges. Reimbursement from the CARES Act is included in the FY21 Preliminary Budget; however, other potential stimulus funding and its receipt are uncertain at this time.



In response, Metro is developing the budget in a measured and tailored approach with cost control measures that are essential and effective in the short term to meet the Agency's going concern. Metro will balance the budget through the conservation of cashflow in the first half of the year and assume a steady recovery in the second half of the year.

Each program, function, and department will adjust its budget accordingly to reflect the new economic realities and progress on projects in a feasible manner as opportunities arise.

(A) Employment and Labor:

Payroll and employment are reimbursable through CARES Act and possible future stimulus. The Agency looks to protect its existing employees from the economic impact of this pandemic by retaining its workforce while controlling cost through vacancy savings and reduction overtime usage whenever applicable. Metro implemented a hiring freeze resulting in a budgeted vacancy savings assumption of \$26 million for 151 non-contract FTEs.

Agency FTEs	FY20 Budget	FY21 Preliminary
AFSCME	821	821
ATU	2,444	2,444
TCU	915	915
TEAMS	175	175
UTU	4,127	4,127
Non-Contracts	1,737	1,737
Total FTEs	10,219	10,219
Total Agencywide Represented	8,482	8,482
Total Agencywide Non-Represented	1,737	1,737
Grand Total	10,219	10,219

FY21 Preliminary Budget FTEs has remained at FY20 Budget level, with a total of 10,219 FTEs, 8,482 Agencywide represented and 1,737 Agencywide non-represented. As per the collective bargaining agreement of the represented FTEs, labor costs will adhere to existing contracts and increase by 4.5% on average. Merit-based increases for non-contract FTEs will be deferred for the first quarter.

(B) Other cost inflation:

Staff projects cost inflation to increase by 2.3%, as measured by Consumer Price Index (CPI).

(C) Transit Service:

Metro will continue to be an essential service to Los Angeles County's population, by operating bus and rail services at levels where it supports people returning to work. Service will ramp up from initial COVID-19 Enhanced Sunday Service level in the last quarter of FY20 since April, 2020 as ridership is projected to gradually recover and demand increases. By the third quarter, NextGen and new transit modes such as MicroTransit will be implemented when possible. During this pandemic, Metro will prioritize enhanced cleaning, sanitizing, and PPE availability.

(D) Transit and Transportation Project Planning and Program Management:

Metro is committed to staying on schedule for Measure M and Measure R projects which includes building of new highways, transportation infrastructure, in addition to planning and providing funding for regional transportation activities for projects to be shovel ready.

(E) Regional Operators:

Municipal Operators will receive CARES Act funding as CARES Act allocations approved by the Board. The distributions provide double their estimated sales tax losses to maintain their funding levels and provide supplemental relief.

As the result of these assumptions and cost control strategies, the FY21 Preliminary Budget is \$6.0 billion; a 16.5% decrease from FY20 Budget of \$7.2 billion. This budget is still under development and may change as we work towards finalizing the FY21 Proposed Budget.

The following attachments provide further detail discussion on the programs and their FY21 Preliminary Budget to mitigate the financial constraint:

- Attachment A for Transportation Infrastructure Development.
- Attachment B for Metro Transit: Operations & Maintenance and State of Good Repair.
- Attachment C for Subsidy Funding, General Planning and Programs, Congestion Management, Oversight and Administration, and Debt Service.

\$6.0 billion preliminary budget is summarized by program as follows:

Program Type (\$ in millions)	FY20 Budget	FY21 Preliminary Budget	FY20 - FY21 \$ Change	FY20 - FY21 % Change
1 Transportation Infrastructure Development	\$ 2,382.4	\$ 1,486.5	\$ (895.9)	-37.6%
2 Metro Transit - Operations & Maintenance	1,839.1	1,798.6	(40.4)	-2.2%
3 Metro Transit - SGR & Other Asset Improvements	493.5	457.0	(36.5)	-7.4%
4 Subsidy Funding Programs	1,404.7	1,238.6	(166.0)	-11.8%
5 Regional Rail	178.2	219.5	41.3	23.2%
6 Congestion Management	135.9	89.6	(46.3)	-34.0%
7 General Planning & Programs	168.9	155.1	(13.8)	-8.2%
8 Debt Service	534.9	509.2	(25.8)	-4.8%
9 Oversight and Admin	71.2	62.6	(8.6)	-12.1%
10 Total Expenditures	\$ 7,208.8	\$ 6,016.7	\$ (1,192.1)	-16.5%

Public Outreach Update

Due to the pandemic, outreach will now be conducted online with virtual meetings. The virtual forum still allows all aspects of the public participation and comply with Metro's policy on social and physical distancing. Staff will continue to take the necessary steps to ensure engagement in a safe, thoughtful, and comprehensive community process.

Metro Special FY21 Budget Briefing - Regional Service Councils

Taking advantage of the virtual platform, we will coordinate one dedicated Special FY21 Budget Briefing for all five Service Councils to review the proposed FY21 Budget. The meeting will be an opportunity to communicate with service council members and the community to gather public input on the proposed budget. Members of the public will have an opportunity to submit comments during the budget briefing using an online comment feature and to provide live public comment by phone, in English and Spanish. The Special FY21 Budget Briefing is scheduled for September 3, 2020 at 6pm and accessible by metro.net/about/board/agenda in accordance with the Brown Act. Meeting details will be posted on metro.net/myvoice, multiple e-blasts will be sent out, and will be advertised via

digital campaign utilizing the agency's communications channels, i.e. Facebook (FB) events on Metro's FB page, FB page of ongoing Metro construction projects, Instagram stories, Nextdoor, Twitter posts, and TheSource.

All marketing and digital campaign efforts for the budget are underway and staff will continue to provide monthly Board updates on the FY21 Budget Outreach activities through Board adoption in September 2020. Below is the tentative schedule of the FY21 Budget Outreach for stakeholders and community meetings.

Stakeholder and Public Outreach Efforts	
Metro FY21 Budget Briefing – Regional Service Councils	Sept. 3
Technical Advisory Committee (TAC)	Sept. 2
Citizens Advisory Council (CAC)	Sept. 4 & 23
Bus Operator Subcommittee (BOS)	Sept. 15
Local Transit Systems Subcommittee (LTSS)	Sept. 17
Streets & Freeways Committee	Sept. 17
Public Hearing	Sept. 16

FINANCIAL IMPACT

This report is a status update of an overall Agency-wide proposed budget that will be presented to the Board and Board Staff for adoption consideration in September 2020. Submission of this Receive and File report will not have an immediate financial impact on the FY21 Budget.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports strategic plan Goal # 5:

Provide responsive, accountable, and trustworthy governance within the LA Metro organization

NEXT STEPS

Staff will continue to develop and finalize the FY21 Proposed Budget. Regular updates to the Board will take place with more budget details. Metro will continue its outreach efforts to stakeholder groups for in-depth and technical discussion of transit services and transportation program priorities included in the FY21 Proposed Budget. The programs identified and funded in the budget, including any updates since the first review with the Board will be consolidated and shown in the FY20 Proposed Budget Book 14 days before the Budget Public Hearing on September 16, 2020.

ATTACHMENTS

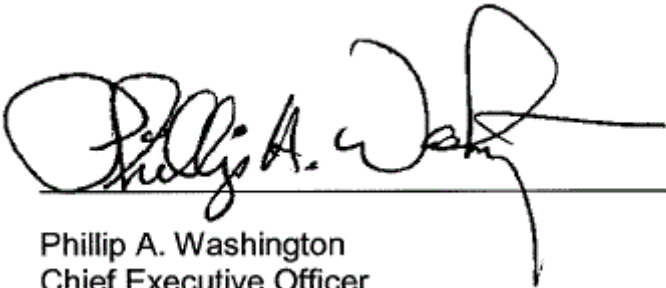
Attachment A - Transportation Infrastructure Development

Attachment B - Metro Transit: Operations & Maintenance and State of Good Repair

Attachment C - Subsidy Funding, General Planning and Programs, Congestion Management, Oversight and Administration, and Debt Service

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Transportation Infrastructure Development

The preliminary FY21 Transportation Infrastructure Development Program budget is projected at \$1.7 billion, Figure 1, and is comprised of three major groups:

1. Transit Expansion: Light Rail, Heavy Rail, Bus Rapid Transit Construction and early planning efforts before construction;
2. Highways: Frontend planning, preliminary engineering and project implementation support for highway improvement as approved in Measure R, Measure M, and non-Measure R/ Measure M highway related projects;
3. Regional Rail: Metro Regional Rail projects and Metrolink Operations / Capital Program funding.

Figure 1: FY20 vs FY21 Transportation Infrastructure Development Budget

Transportation Infrastructure Development (\$ in millions)		FY20 Budget	FY21 Preliminary	Difference
1	Measure R/M Transit Construction	\$ 1,966.4	\$ 1,179.2	\$ (787.3)
2	Measure R/M Transit Planning	87.4	63.0	(24.4)
3	Program Control & Support	11.9	14.0	2.1
4	Transit Expansion Program Total	\$ 2,065.8	\$ 1,256.2	\$ (809.6)
5	Measure R/M Highway Projects	\$ 312.2	\$ 239.9	(72.3)
6	Non-Measure R/M Highway Projects	16.4	6.5	(10.0)
7	Highways Program Total	\$ 328.6	\$ 246.3	\$ (82.3)
8	Metro Regional Rail	\$ 66.9	\$ 90.3	23.3
9	Metrolink Operating & Capital Projects	111.3	129.2	17.9
10	Regional Rail Program Total	\$ 178.2	\$ 219.5	\$ 41.3
11	Grand Total	\$ 2,572.6	\$ 1,721.9	\$ (850.7)

Transit Expansion

A full slate of transformational rail projects is advancing in the construction and planning pipelines across multiple years as Metro continues to expand LA County's rail network. The cash flow required to minimally sustain transit construction in FY21 is proposed at \$1.3 billion.

The Transit Planning budget of \$63 million encompasses the Measure R and first decade and beyond Measure M Projects per the Ordinance. These studies will advance transit projects through the early conceptual planning and environmental clearance stages to a state of readiness for future construction activities. In doing so, Metro leverages Measure R and Measure M funds to maximize the potential for additional funding sources.

Westside Purple Line Extension (WPLE) and Division 20 Portal Widening

Purple Line Extension is a total of 9.07-mile extension of the subway line westward from Wilshire/Western terminus, segmented into 3 different sections as noted in Figure 2. WPLE Section 1 will continue advancement of tunneling and station construction activities through Mid-Wilshire. WPLE Section 2 will continue construction and tunneling activities through Beverly Hills. WPLE Section 3 will advance final design, acquisition of vital right-of-way parcels and early station construction through Westwood.

The Division 20 Portal Widening is a critical project needed to meet the headway requirements for the entire Purple Line and extension. FY21 funding will support construction of the portal, site-work and systems components.

Figure 2: Transit Expansion Projects

Transit Expansion (\$ in millions)		FY20 Budget	FY21 Preliminary	Difference	Notes
1	Measure R/M Transit Construction				
2	Westside Purple Line Extension Section 1	\$ 283.5	\$ 181.2	\$ (102.3)	3.92 miles, RSD in 2023
3	Westside Purple Line Extension Section 2	312.3	121.5	(190.8)	2.59 miles, RSD in 2025
4	Westside Purple Line Extension Section 3	457.3	223.2	(234.1)	2.56 miles, RSD in 2027
5	Division 20 Portal Widening & Turnback	85.0	91.1	6.2	Downtown LA, near Arts District
6	Westside Purple Line Extension Subtotal	\$ 1,138.0	\$ 617.0	\$ (521.0)	
7	Regional Connector Light Rail Transit	\$ 220.2	\$ 144.5	\$ (75.7)	1.9 miles, RSD in 2022
8	Crenshaw/LAX Light Rail Transit	224.5	111.7	(112.8)	8.5 miles, RSD in 2021
9	Gold Line Foothill Extension Phase 2	156.2	101.5	(54.7)	12.3 miles thru Montclair, substantial completion by 2028
10	East San Fernando Valley Light Rail Transit	35.4	16.2	(19.2)	9.2 miles, NEPA clearance in FY21
11	Airport Metro Connector	68.8	80.3	11.6	Aviation/96th St Station - Crenshaw/LAX
12	Expo Light Rail Transit Close Out	3.0	1.9	(1.1)	closeout activities
13	Metro Orange Line Improvements	21.3	20.5	(0.9)	improve speed, safety, capacity
14	Systemwide	92.0	80.0	(12.0)	
15	Business Interruption Fund	7.0	5.6	(1.4)	
16	Measure R/M Transit Construction Total	\$ 1,966.4	\$ 1,179.2	\$ (787.3)	
17	Measure R/M Transit Planning				
18	West Santa Ana Branch Transit Expansion	\$ 49.0	\$ 16.2	(32.8)	4 pillar project
19	Sepulveda Transit Corridor	8.2	13.1	4.9	4 pillar project
20	Eastside Light Rail Access	9.0	6.5	(2.5)	
21	North Hollywood / Pasadena BRT Connector	3.2	5.7	2.5	
22	Eastside Light Rail Transit Extension Phase 2	9.2	4.7	(4.6)	4 pillar project
23	Green Line Extension to Torrance	2.2	8.3	6.2	4 pillar project
24	Vermont Transit Corridor	1.2	3.2	2.0	
25	Crenshaw Northern Extension	2.0	2.8	0.8	
26	North San Fernando Valley Bus Rapid Transit	3.4	2.5	(0.9)	
27	Measure R/M Transit Planning Total	\$ 87.4	\$ 63.0	\$ (24.4)	
28	Program Control & Support Total	\$ 11.9	\$ 14.0	\$ 2.1	
29	Transit Expansion Grand Total	\$ 2,065.8	\$ 1,256.2	\$ (809.6)	

Regional Connector

The Regional Connector Rail will continue station construction and tunneling activities in FY21.

Crenshaw/LAX

The Crenshaw/LAX will advance critical systems integration testing and Pre-Revenue operational activities with an anticipated substantial completion in Fall 2020.

Gold Line Foothill Extension Phase 2B

The Gold Line Foothill Authority is embarking on heavy construction.

Other Significant Transit Projects

The Orange Line BRT Improvements will finalize design, acquire right-of-way, and continue with advanced utility relocations.

The East San Fernando Valley Transit Corridor will clear NEPA in first have of FY21, making it eligible for federal grants.

The Airport Metro Connector will start solicitation for construction of the Aviation/96th Station to connect Airport People Mover to Crenshaw line.

Planning Studies for Measure R and Measure M Transit Projects

The Planning Studies preliminary FY21 budget of \$63 million encompasses the Measure R and first decade and beyond of Measure M projects. Activities for these projects include conceptual

engineering, environmental clearance, and right-of-way acquisition. Completion of the planning phase supports a state of shovel readiness to advance the project into construction.

Highways

The Highway Program is different from the Transit Construction Program in that completed projects are a non-Metro owned capital asset despite the similarities in delivery and construction installation. For most highway projects, Metro oversees the planning and early engineering phases, then hands the project over to Caltrans to execute right-of-way acquisitions and construction. Upon completion, highway projects are capitalized as a Caltrans asset with Caltrans assuming primary responsibility for operations and maintenance. The Highway program is comprised of the MR/MM funded projects, funding for the Sub-Regional Highway Programs, and non MR/MM funded highway projects impacting Metro operations. The sub-regional highway program funds are programmed and approved by the Board semi-annually.

Figure 3: Highways Program

Highway Program (\$ in millions)		FY20 Budget	FY21 Preliminary	Difference	Phase
1	Measure R / M Highway Projects				
2	Alameda Corridor East Grade Separations Phase 2	\$ 30.0	\$ 50.1	20.1	various
3	Interstate 605 Corridor "Hot Spot" Improvements	45.7	\$ 19.8	(25.9)	various
4	Interstate 5 North Capacity Enhance SR-14 to Kern County Line	17.2	\$ 13.5	(3.6)	construction
5	SR-57/SR-60 Interchange Improvements	23.4	\$ 6.9	(16.5)	plans, specs & estimates
6	Interstate 405, I-110, I-105, and SR-91 Ramp and Interchange Imp (South Bay)	20.7	\$ 20.6	(0.1)	various
7	Countywide Sound Wall Assessment & Constructions	25.8	\$ 15.4	(10.4)	various
8	Interstate 5 Capacity Enhancement from SR-134 to SR-170	21.9	\$ 15.3	(6.6)	construction
9	State Route 138 Capacity Enhancements	27.6	\$ 15.6	(12.0)	various
10	Interstate 5 Capacity Enhancement from I-605 to Orange County Line	25.6	\$ 15.0	(10.6)	construction
11	SR-710 North Corridor Mobility Improvements	0.8	\$ 8.3	7.5	plans, specs & estimates
12	Interstate 710 South and/or Early Action Projects	31.6	\$ 17.1	(14.4)	various
13	Interstate 105 Express Lanes	2.5	\$ 2.9	0.4	environmental
14	Interstate 405 Sepulveda Express Lanes	2.3	\$ 2.0	(0.4)	environmental
15	Highway Operational Improvements in Las Virgenes/Malibu Subregion	15.2	\$ 9.8	(5.3)	various
16	Highway Operational Improvements in Arroyo Verdugo Subregion	13.7	\$ 7.8	(5.9)	various
17	Interstate 5 / St. Route 14 Capacity Enhancement	1.5	\$ 1.5	0.0	various
18	Interstate 5 Corridor Improvements (I-605 to I-710)	0.5	\$ 0.0	(0.5)	various
19	Highway Efficiency Program	1.6	\$ 0.9	(0.7)	various
20	Transportation System and Mobility Improvement Program	1.5	\$ 16.2	14.7	various
21	Highway Demand Based Prog. (HOV Ext. & Connect)	1.6	\$ -	(1.6)	various
22	Highway Operational Improvements	-	\$ 0.4	0.4	various
23	High Desert Corridor (highway department activities)	1.5	\$ 0.6	(1.0)	various
24	Measure R / M Highway Projects Total	\$ 312.2	\$ 239.9	\$ (72.3)	
25	Non-Measure R / M Highway Projects				
26	Interstate 210 Barrier Replacement	\$ 7.9	\$ 2.4	(5.5)	plans, specs & estimates
27	Highway Planning & Admin	4.2	\$ 2.6	(1.7)	administration
28	Caltrans Property Maintenance	3.5	\$ 1.3	(2.2)	operational
29	Interstate 405 Car Pool Lane	0.8	\$ 0.2	(0.6)	close-out
30	Non-Measure R / M Highway Projects Total	\$ 16.4	\$ 6.5	\$ (10.0)	
31	Highway Program Grand Total	\$ 328.6	\$ 246.3	\$ (82.3)	

Fiscal year 2021 preliminary budget of \$246 million, Figure 3, anticipates advancement of many highway projects:

- Procurement activity for construction on I-5 North, towards Kern County, anticipated to conclude in FY21 with notice to proceed in latter half of the fiscal year
- Design work for Shoemaker Bridge as part of Early Action along SR-710, as well as for Early Action sound wall
- Pursue right-of-way acquisition for SR-57/SR-60 interchange
- Continue construction on Soundwall Package 11, issue bid for Soundwall Package 10

Additionally, funds are budgeted for local street, intersection, signal, and on/off ramp

improvements through respective sub-regional projects, within the appropriate MOU.

Regional Rail

Regional Rail program consists of Metro's Operating and Capital support of the Metrolink commuter rail system and Metro managed regional rail capital expansion, development, construction, and corridor studies. FY21 preliminary budget of \$219.5 million represents a \$41.3 million increase from FY20. \$23.3 million of this increase is due to anticipated real estate acquisition for Link US project, following the state grant approval in June. Anticipated activities in FY21 for projects in this category are noted in Figure 4.

Figure 4: Preliminary FY21 Regional Rail Program

Regional Rail Program (\$ in millions)		FY20 Budget	FY21 Preliminary	Difference	Notes
1	Metro Regional Rail				
2	Link US	\$ 25.8	\$ 55.2	29.4	ROW & construction procurement
3	Rosecrans / Marquardt Grade Separation	25.9	\$ 26.5	0.6	ROW & construction procurement
4	Brighton to Roxford Double Tracking	3.4	\$ 3.2	(0.2)	finalize design
5	High Desert Corridor (rail service development study)	-	\$ 1.5	1.5	study / plan
6	Doran Street Grade Separation	3.4	\$ 1.5	(1.9)	design
7	Lone Hill to CP White	0.7	\$ 0.5	(0.1)	early design
8	Other Regional Rail Projects	7.8	\$ 1.9	(5.9)	
9	Metro Regional Rail Total	\$ 66.9	\$ 90.3	\$ 23.3	
10	Metrolink				
11	Metrolink Operating	\$ 81.2	\$ 109.2	28.0	
12	Metrolink Capital & State of Good Repair	30.1	\$ 20.0	(10.1)	
13	Metrolink Total	\$ 111.3	\$ 129.2	\$ 17.9	
14	Regional Rail Program Grand Total	\$ 178.2	\$ 219.5	\$ 41.3	

Funding for Metrolink commuter rail operations anticipates a 30% reduction in service for the first half the year, with a return to a 100% level of operating service in the second half of FY21. The \$17.9 million increase in funding to Metrolink is due to the \$35 million fare revenue supplement provided to Metrolink in the same sprit as the CARES act, which provides revenue loss reimbursement.

ATTACHMENT B

Metro Transit: Operations & Maintenance and State of Good Repair

Metro Transit Program reflects the resources required to operate and maintain bus, rail services, and ensures that critical infrastructure remains in a state of good repair. The program is made up of two budget components: Operations and Maintenance (O&M) and State of Good Repair (SGR).

Metro Transit Expenses (\$ in millions)		FY20 Budget	FY21 Preliminary	\$ Change	% Change	% of Total
Metro Transit Operations & Maintenance (O&M)						
Metro Transit - Operations	Bus	\$ 1,291.7	\$ 1,271.8	\$ (19.9)	-2%	56%
	Rail	\$ 547.4	\$ 526.8	\$ (20.5)	-4%	23%
Total O&M		\$ 1,839.1	\$ 1,798.6	\$ (40.4)	-2%	80%
Metro Transit State of Good Repair (SGR)						
Metro Transit - SGR		\$ 493.5	\$ 457.0	\$ (36.5)	-7%	20%
Total Metro Transit (SGR and O&M)		\$ 2,332.6	\$ 2,255.6	\$ (77.0)	-3%	100%

Metro Transit Preliminary Budget is estimated to be \$2.3 billion, with \$1.8 billion allocated to Bus and Rail Operations and Maintenance (O&M) and \$457 million allocated to Bus and Rail State of Good Repair (SGR). This represents \$77 million (3%) reduction from the FY20 Budget.

Metro Transit-Operations & Maintenance

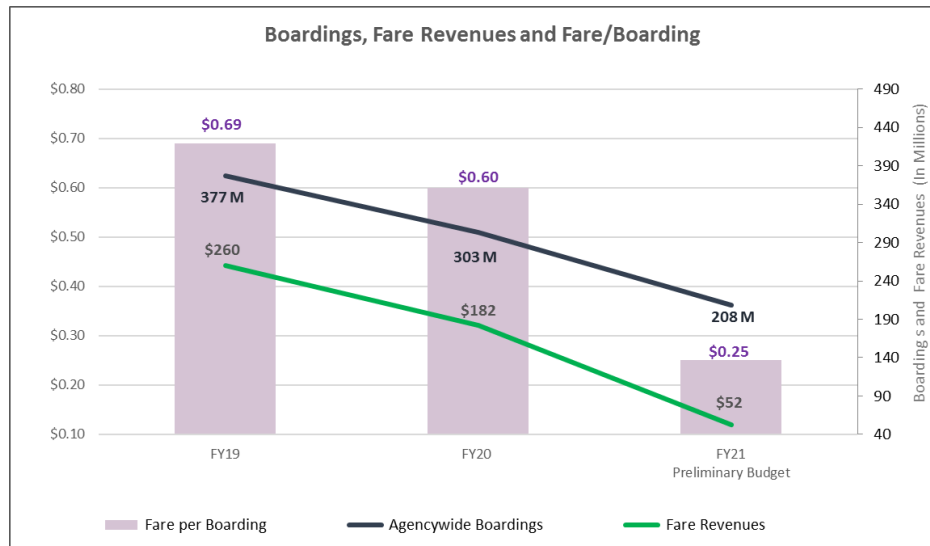
FY21 O&M Preliminary Budget is built on planned bus and rail service, maintenance needs, and system support. The preliminary budget is a direct result of service levels and cost control. In the 4th quarter of FY20, bus and rail services were modified to reflect an “enhanced Sunday service” model with more frequency and service hours added to major corridors based on plummeting ridership and revenue impact of the Safe-at-Home order. Boarding demand and sustainable resources drive the service level proposal to support recovery.

Boarding and Fare Revenue

Development of the preliminary boarding forecast is challenging given the uncertainty created by the pandemic. Timing of the economic and ridership recovery are difficult to predict. Using current actual weekday boarding of 560,000 as a base, adjusted for estimating methodologies used by other transit agencies, ridership is assumed to remain constant for the first and second quarter of FY21, and gradually ramp up in the third and fourth quarter. Annual boarding is projected to be 208 million for FY21, a 45% decline from FY20.

Fare revenue is the calculated result of total boarding and fare collected per boarding. Based on the actual system-wide fare per boarding currently being experienced, the preliminary budget assumes fare per boarding starts at \$0.10/boarding in the first quarter and increases to \$0.25 annual average by the fourth quarter of FY21 as front door boarding starts in Q3. Together with the assumed ridership recovery, FY21 Preliminary Budget includes \$52 million fare revenue from bus and rail operations. In comparison, FY19, the last fiscal year without COVID impact, the fare was \$260 million, a drop of 80%.

The graph below reflects actual boardings, fare per boarding and fare revenues for FY19 and FY20, as well as a high-level estimate for FY21 Preliminary Budget.



Bus and Rail Service Levels

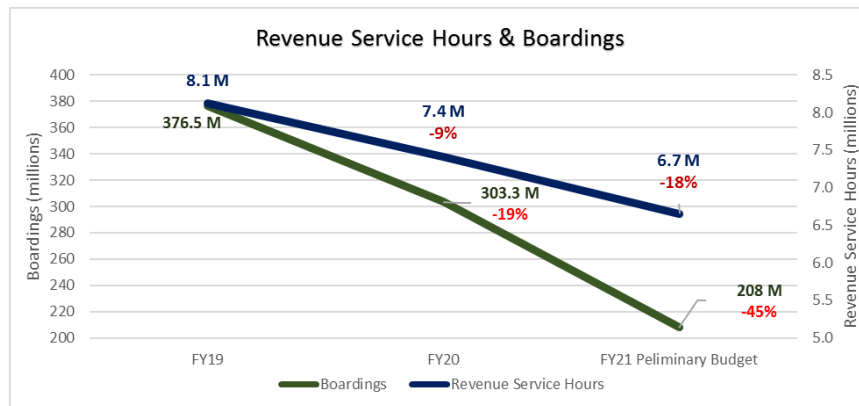
The FY21 proposed service plan is not in direct proportion to boarding decline. The service level anticipates a projected phased-in ridership recovery. Consider and allow for the flexibility and new initiatives to accommodate changing demands, service options, NextGen principles, Microtransit alternatives and economic indicators. The preliminary budget then adjusts for operator staffing availability during the pandemic. Operator runs are re-cut to timely adjust to ridership and safety needs. The preliminary proposed service level results in 6.65 million revenue service hours for Bus and Rail service combined, which is 19% less than FY20 Budget Pre-COVID level.

Revenue Service Hours

Mode	FY20 Adopted	FY21 Proposed	Change from FY20	% Change
Bus				
Local & Rapid	6,307,605	5,122,039	(1,185,566)	-18.8%
Silver Line	144,209	83,680	(60,529)	-42.0%
Orange Line	128,324	78,450	(49,874)	-38.9%
Purchased Transportation	514,238	372,768	(141,470)	-27.5%
Subtotal Bus	7,094,376	5,656,937	(1,437,440)	-20.3%
Rail				
Blue Line	203,944	199,894	(4,050)	-2.0%
Green Line	126,849	103,378	(23,471)	-18.5%
Gold Line	263,149	210,866	(52,284)	-19.9%
Expo Line	231,610	185,968	(45,643)	-19.7%
Red Line	309,401	293,696	(15,705)	-5.1%
Subtotal Rail	1,134,953	993,801	(141,152)	-12.4%
Total	8,229,329	6,650,738	(1,578,591)	-19.2%

The green line in the graph below reflects boarding; the blue line reflects revenue service hours (RSH). Boardings are expected to decline by about 45% compared to FY19, however, proposed

service level is 18% less than the service delivered in FY19.



Operations and Maintenance Expenses

Bus and Rail Operations and Maintenance Expenses

Operations (\$ in millions)	FY20 Budget	FY21 Preliminary Budget	\$ Change	% Change	% of Total
Labor & Fringe	\$ 1,072.5	\$ 1,123.6	\$ 51.2	5%	62%
Labor - Overtime	95.5	55.7	(39.8)	-42%	4%
Parts & Supplies	97.1	80.1	(17.0)	-17%	4%
Fuel / Propulsion	60.6	44.7	(15.9)	-26%	2%
Other Operating Expenses	167.0	182.4	15.5	9%	10%
Contract / Professional Service	285.4	262.1	(23.4)	-8%	15%
Purchased Transportation	61.0	50.0	(11.0)	-18%	3%
Grand Total	\$ 1,839.1	\$ 1,798.6	\$ (40.4)	-2%	100%

The Bus and Rail Operations and Maintenance budget is modeled by projected unit cost of service, service level, and fixed costs needed to manage and maintain the system and infrastructure. Labor and fringe benefits make up 62% of the total budget. The remaining resources are for expenses including fuel and electricity needed to run vehicles, parts and supplies to properly maintain vehicles, items needed to clean and disinfect stations and facilities, and deployment of security staff on the system.

The FY 21 Preliminary Budget is estimated to be \$1.799 billion, reflecting a modest \$40.4 million (2 percent) decrease from FY20.

One major theme of budget development is job preservation and maintaining the commitment to continue adhering to negotiated labor contract provisions. Although the proposed service level is about 19.2% less than FY20 Budget, staff is being maintained and a new approach is underway to re-cut Bus/Rail Operator runs and adjust maintenance activities to optimize staff deployment and significantly reduce overtime expenses. Alternative approaches to service, such as Microtransit and continuing NextGen principles will be put in place using existing authorized labor/FTE and improved service productivity.

The major changes for FY21 are related to labor, overtime, fringe benefits, service-related consumables, and subcontracted bus lines. There is a 5% increase in labor and fringe benefits due to a negotiated wage and benefit increase; however, new approaches will decrease

overtime expenses by 42%. This will significantly offset these costs. Other cost elements of fuel, rail electricity, part/supplies, and subcontracted lines (Purchased Transportation) are all reduced based on a projected 1.579 million decrease revenue service hours.

Metro Transit-State of Good Repair

Metro State of Good Repair						
(\$ in Millions)						
SGR Category	FY20 Budget	FY21 Preliminary	Year Over Year \$ Change	Year Over Year % Change	% of Total SGR Budget	
1 Bus Acquisition	\$ 130.9	\$ 208.7	\$ 77.8	59.5%	45.7%	
2 Bus Facilities Improvements	9.3	15.6	6.2	66.9%	3.4%	
3 Bus Maintenance	48.8	33.7	(15.0)	-30.8%	7.4%	
4 Bus Subtotal	\$ 189.0	\$ 258.0	\$ 69.0	36.5%	56.5%	
6 Rail Fleet Procurement	120.7	73.8	(46.8)	-38.8%	16.2%	
7 Rail Vehicle Maintenance	44.5	45.7	1.2	2.6%	10.0%	
5 Rail Facilities Improvements	19.2	7.6	(11.5)	-60.1%	1.7%	
8 Wayside Systems	83.9	38.7	(45.2)	-53.9%	8.5%	
9 Rail Subtotal	\$ 268.3	\$ 165.9	\$ (102.4)	-38.2%	36.3%	
10 Regional and Hubs	16.6	12.6	(4.0)	-24.0%	2.8%	
11 Technology	18.5	17.2	(1.3)	-6.9%	3.8%	
12 Non-revenue & Other SGR	1.2	3.2	2.1	173.2%	0.7%	
13 Other Subtotal	\$ 36.3	\$ 33.1	\$ (3.2)	-8.8%	7.2%	
14 Total Proposed SGR Budget	\$ 493.5	\$ 457.0	\$ (36.5)	-7.4%		

The Agency's State of Good Repair (SGR) program focuses on maintaining its fleet, rail lines, transit stations, facilities, information systems and peripheral infrastructure to ensure delivery of safe, reliable, and high-quality transit services. The preliminary \$457.0 million estimate is a reduction of \$36.5 million, a 7.4% decrease from FY20. It is based on planned project activities and reflects the cash flow required to complete FY21 milestones and deliverables.

The reductions in SGR are primarily the result of scheduled project close-outs, as Light Rail Vehicle (LRV) deliveries conclude, and New Blue wraps up. Cost mitigation measures were implemented to account for lower projected revenues, while maintaining safe, reliable service, and high-quality transit services. Operations staff has worked diligently with contractors and vendors to adjust procurement and vehicle delivery schedules, and contract terms for buses, rail cars, and midlife programs, allowing for the preservation of essential funds for the coming year. A significant number of new proposed projects has been rescheduled to FY22 except for a new project for fire protection in the Metro B (Red) Line. Numerous other support projects have been slowed 3 to 6 months to accommodate budget constraints.

ATTACHMENT C

Subsidy Funding, General Planning and Programs, Congestion Management, Oversight and Administration, and Debt Service

Subsidy Funding Programs

Funded primarily through state and local sales tax revenue sources, Subsidy Funding Programs represent amounts passed through Metro to regional partners to address transportation needs at the local level. Approximately 90% (\$1.1B) of the Subsidy Funding Program is made up of direct allocations to cities (Local Return), Formula Allocation Procedure (FAP) funding to Municipal and small operators, and Metro supported American with Disabilities Act (ADA) provide in the Los Angeles County by Access Services.

The FY21 Preliminary Budget includes \$1.2 billion for Subsidy Funding Programs, a decrease of 11.8% from the FY20 Adopted Budget. This decrease is primarily due to the expected decline in sales tax revenues from Pre-COVID levels as a result of the economic downturn due to the pandemic. The table below compares the FY20 Budget and FY21 Preliminary Budget for Subsidy Funding Programs.

Subsidy Funding Programs (\$ In millions)	FY 20 Budget	FY21 Preliminary	\$ Change	% Change
Local Agencies	\$ 779.3	\$ 702.5	\$ (76.8)	-9.8%
Regional Transit	473.1	387.3	(85.8)	-18.1%
Access Services	110.3	111.1	0.8	0.7%
Regional Federal Grants	27.4	23.3	(4.1)	-15.0%
Fare Assistance	14.6	14.4	(0.2)	-1.6%
Total Subsidy Funding Programs	\$ 1,404.7	\$ 1,238.6	\$ (166.1)	-11.8%

The overall decrease is a result of the expected decline in sales tax, revenues; however Regional Transit declines are mitigated by CARES funding that Municipal Operators will apply directly to FTA for these funds (not included in the table above).

Municipal Operators will receive CARES Act funding as a result of Board approved CARES Act. The allocations provide double the estimated sales tax losses to maintain their funding levels and provide supplemental relief.

General Planning and Programs

The General Planning and Programs has five major groups: 1) Financial, Grants Management and Administration, 2) Public Private Partnership (P3), 3) Property Management which includes Art and Design, Joint Development, Property Maintenance and Contract Management, Parking, Transit Oriented Communities (TOC) and Union Station, 4) Transit Court, and 5) Other Programs such as Active Transportation including Bike, First/Last Mile, Sustainability, and System Connectivity Programs and Studies.

General Planning & Programs (\$ in Millions)	FY20 Budget	FY21 Preliminary	\$ Change	% Change
Financial, Grants Mgmt and Admin	\$ 28.0	\$ 25.1	\$ (2.9)	-10.3%
Administrative and Planning Support	20.0	19.1	(0.9)	-4.6%
Financial Planning and Grants Management	8.0	6.0	(2.0)	-24.5%
P3	\$ 10.3	\$ 8.1	\$ (2.2)	-21.0%
P3	10.3	8.1	(2.2)	-21.0%
Transit Court	\$ 1.8	\$ 1.3	\$ (0.5)	-28.7%
Transit Court	1.8	1.3	(0.5)	-28.7%
Property Management	\$ 58.1	\$ 49.4	\$ (8.6)	-14.9%
Art and Design	1.6	1.5	(0.0)	-2.2%
Joint Development	6.1	5.3	(0.7)	-12.3%
Parking	11.4	10.2	(1.2)	-10.6%
Property Maintenance and Contract Management	18.2	19.1	0.9	5.1%
Transit Oriented Communities	3.9	2.8	(1.1)	-28.7%
Union Station	16.8	10.4	(6.4)	-38.2%
Other Programs	\$ 70.8	\$ 71.2	\$ 0.4	0.6%
Active Transportation incl Bike	37.6	39.0	1.4	3.7%
First Last Mile	2.1	3.1	1.0	48.8%
Sustainability	21.2	15.7	(5.5)	-25.8%
System Connectivity Program and Studies	9.9	13.4	3.5	34.9%
Grand Total	\$ 168.9	\$ 155.1	\$ (13.8)	-8.2%

As a result of the cost control measures, the FY21 Preliminary Budget of \$155.1 million represents a \$13.8 million or 8% decrease from the FY20 Budget. The Preliminary Budget for Bike Share, Parking and Union Station are aligned to the adjusted service level and customer demand amidst the pandemic. Some of the key activities anticipated to begin in Fall 2020 include P3 development on West Santa Ana Branch and Sepulveda Transit Corridor (\$8.0 million). Key projects included in Other Programs category are Rail to Rail/River segment A (\$12.0 million) and supplemental planning study of segment B (\$765.0 thousand), LA River Waterway and System Bike Path Phase 2 environmental clearance and design (\$8.9 million), and first/last mile planning work on Gold Line Foothill Extension 2B and Airport Metro Connector (\$938.0 thousand).

Congestion Management

Congestion Management Program is comprised of these four groups: 1) Expresslanes, 2) Freeway Service Patrol (FSP), 3) Service Authority for Freeway Emergencies (SAFE), and 4) Rideshare Services.

Congestion Management Program (\$ in millions)	FY20 Budget	FY21 Preliminary	\$ Change	% Change
Express Lanes	\$ 76.0	\$ 39.4	\$ (36.6)	-48.1%
Freeway Service Patrol	35.4	26.5	(8.9)	-25.2%
Kenneth Hahn Call Box Program (SAFE)	13.0	12.9	(0.1)	-1.1%
Rideshare Services	11.4	10.8	(0.6)	-5.4%
Congestion Management Program Total	\$ 135.9	\$ 89.6	\$ (46.3)	-34.0%

As a result of the cost control measures, the overall FY21 Preliminary Budget for the Congestion Management Program of \$89.6 million represents a \$46.3 million or 34.0% decrease from the FY20 Budget. The program adjusted ExpressLanes CHP enforcement, ExpressLanes Service Center, SoCal511 funding and various contracts under Freeway Service Patrol to match the decreased traffic on freeways and ExpressLanes. Funding for Incremental

Transit Services subsidy and Net-Toll Revenue grants were reduced to match estimated invoicing by cities. Lastly, planning for ExpressLanes expansion for I-10 extension, I-605, and I-10 Vanpool pilot projects will ramp up in the second half of the fiscal year.

Oversight and Administration

For Oversight and Administration, the FY21 Preliminary Budget is a 12.1% overall reduction from FY20 Budget. Oversight and Administration is mostly driven by labor and benefits which assumes non-contract vacancy savings as a result of the hiring freeze in place. Contract and professional services include contractual software and hardware licensing and legally mandated activities such as financial and compliance audit. As a result of CEO cost control actions, there are significant decreases in training, travel, and supplies.

Oversight and Administration (\$ in Millions)	FY20 Budget	FY21 Preliminary	\$ Change	% Change
Labor & Benefits	\$ 114.0	\$ 104.7	\$ 9.3	-8.1%
Contract and Professional Services	58.6	55.6	3.0	-5.1%
Lease & Utilities	19.9	16.4	3.5	-17.6%
Computer, Office Supplies and Travel	3.8	2.5	1.2	-32.9%
Corporate Membership, Sponsorships, and Training	2.6	1.9	0.7	-28.1%
Subtotal	198.8	181.1	17.7	-8.9%
Allocations	(127.7)	(118.5)	(9.1)	-7.2%
Total	\$ 71.2	\$ 62.6	\$ 8.6	-12.1%

Despite these reductions, there is budget to continue to advance Agency priorities and key initiatives that include racial justice and equity through the creation of the Race and Equity department in addition to advancing initiatives and studies from the Women and Girls Governing Council. Climate actions such as the Traffic Reduction Study will lead to a more sustainable future. Activities and programs including the Comprehensive Pricing Study and Mobility on Demand pilots seek to reimagine the future transportation network in Los Angeles County. As a result of CEO cost control actions, there are significant decreases in training, travel, and supplies.

Debt Service

Debt issuance is authorized by applicable federal and state legislation and the local sales tax ordinances. The Board-adopted Debt Policy establishes parameters for the issuance and management of debt that follow best practices and set affordability limits.

Debt Service (\$ in millions)	FY20 Budget	FY21 Preliminary	\$ Change	% Change
Debt Service - Prop A	164.4	139.3	(25.1)	-15.2%
Debt Service - Prop C	149.2	156.3	7.1	4.8%
Debt Service - Measure R	96.9	100.5	3.7	3.8%
Debt Service - Union Station ACQ	4.3	4.4	0.2	4.4%
Measure R TIFIA Loan - Regional Connector	36.0	10.6	(25.4)	-70.5%
Measure R TIFIA Loan - Crenshaw	0.1	14.7	14.7	27062.0%
Measure R TIFIA Loan - Westside	80.7	80.8	0.0	0.0%
Debt Service Total	\$ 531.6	\$ 506.8	\$ (25.8)	-4.8%

In FY21, it is anticipated that Crenshaw/LAX, Westside Purple Line Section 1, the new bus acquisitions and the light/heavy rail vehicles procurement, local traffic system, and other projects, will utilize debt proceeds. As of July 1, 2020, Metro has \$5.74 billion of outstanding

debt. The annual debt service cost in FY21 is estimated at \$506.8 million, a decrease of 4.8% over last year's FY20 Budget of \$531.6 million, primarily due to lower set asides of sales tax revenue required for debt service based on the repayment schedule structure at the time of the original bond issuance.

FY21 Budget Development Update

**Finance, Budget and Audit Committee Meeting
August 19, 2020**

Agenda

- Process and Schedule
- FY20-FY21 Losses and CARES Act Recap
- FY21 Preliminary Budget Summary
- Quarterly Revenue and Expense Projection Trend
- FY21 Preliminary Budget Program Overview
- FY21 Preliminary Budget – Expenses
 - Transportation Infrastructure Development
 - Subsidy Funding Program
 - Other Programs
 - Metro Transit
- Major Risks to FY21 Preliminary Budget
- Budget Outreach
- Next Steps

FY21 Budget Process & Schedule

Month Board Report

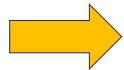


May **FY21 Continuing Resolution & Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding (Agenda No. 39)**

June **COVID Revised Revenue Assumptions and Forecast**

July **FY21 Budget Update (Board Box – sent July 17th)**

- Sales Tax Forecast, Resources Assumption
- Budget Schedule
- Stakeholder Outreach Plan



August **Program Summaries & Expense Assumptions**

- Budget Development Process
- Expense Assumptions by Program Type
- Transportation Infrastructure Development, Regional Rail, Highways
- Metro Transit – Operations & Maintenance Expense and State of Good Repair
- Subsidy to Regional Partners and Other Programs

September **FY21 Revised Budget Adoption (Planned)**


- Consolidated Agency-wide Expenses and FTEs Budget Proposal
- Public Hearing on September 16, 2020
- Summary of Public Comment and Stakeholder Review
- Final Board Adoption on September 24, 2020

December **Mid-Year Budget Amendment (as needed)**

FY20 and FY21 Losses and CARES Act

Source of funds (\$Millions)	FY20			FY21	FY20 + FY21 Total Loss
	Adopted Budget	Post-COVID Revised	FY20 Loss	FY21 Loss	
Metro Locally Adopted Measures	\$ 3,492	\$ 3,127	\$ (365)	\$ (528)	\$ (893)
State Transportation Development Act (TDA)	437	391	(46)	(66)	(112)
STA/SB1 State Funds	246	221	(25)	(30)	(56)
Total	\$ 4,174	\$ 3,738	\$ (436)	\$ (624)	\$ (1,060)

- The COVID-19 pandemic's impacts on revenues and expenses began in FY20 and will continue in FY21
- Of the LA County \$1.068B CARES allocation, Metro received \$874.8M from CARES Act for losses starting January 2020; the projected loss to Metro programs is \$1.8B
- CARES Act does not cover all of Metro's losses in bus and rail operations and provides no funding for transit infrastructure projects



Sales Tax Revenue Loss	\$ (1,060)
Fare Revenue Loss	(197)
Toll Revenue Loss	(25)
Other System-Generated Revenue Loss	(160)
Subtotal Revenue Loss	\$ (1,442)
Additional COVID-19 Costs	\$ (362)
Total Two Year Loss to Budget	\$ (1,804)



Metro

FY21 Budget Summary

Objective: Aiming to balance FY21 Budget under severe financial constraint due to COVID-19, while staying on course to deliver Metro's mission

Revenues

- Projecting revenue loss of \$865M comprised of \$624M in Sales Taxes and \$241M in Fares and Tolls
- Assumes gradual recovery that starts in September 2020, with a full recovery anticipated in June 2021
- CARES stimulus does not cover all losses in operations and provides no funding for capital projects

Expenses

Labor:

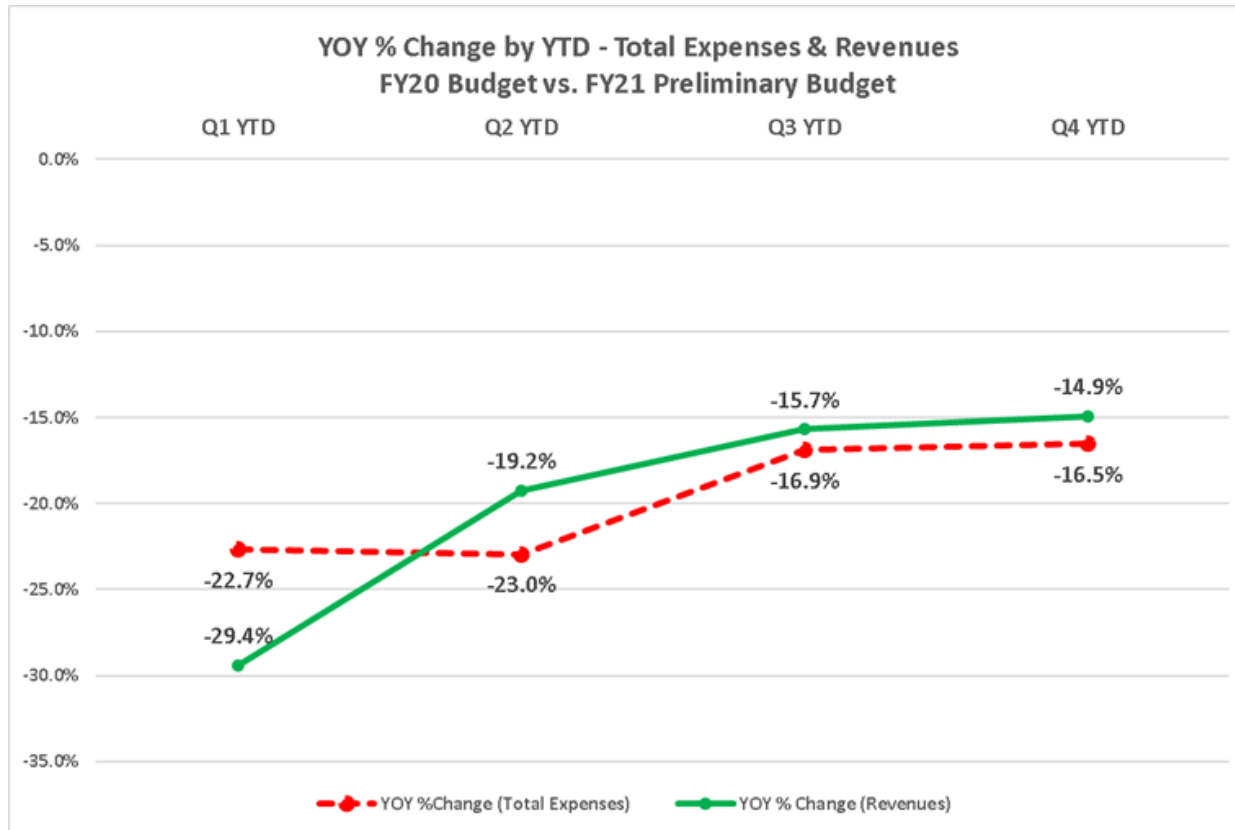
- No reduction of FTEs from FY20 Budget level (CARES reimbursement)
- Union wages will increase up to 4.5% per the Collective Bargaining Agreements (CBA)
- Non-Contract merit-based increases of 3.5% deferred for first quarter
- Non-Contract estimated vacancy savings assumptions of \$26M

Programs:

- Enhanced cleaning, sanitizing, and PPE availability
- Transit Services at 81% of pre-COVID level, estimated boardings at 55%
- NextGen investments of \$7M for corridor planning & analysis, plus \$123M for related bus improvements
- All Measure M/R projects in FY20 moving forward, planning phases moving towards shovel ready status
- Transit funding to operators and cities continue regionally, with CARES funds mitigating declines
- Congestion Management and other mobility initiatives adjusted to match demand
- Cost controls in place for Oversight and Administrative projects, leading to 12% reduction

If needed, Mid-Year Budget will be brought to Board for approval based on the pace of recovery

Quarterly Revenue and Expense Projection Trend

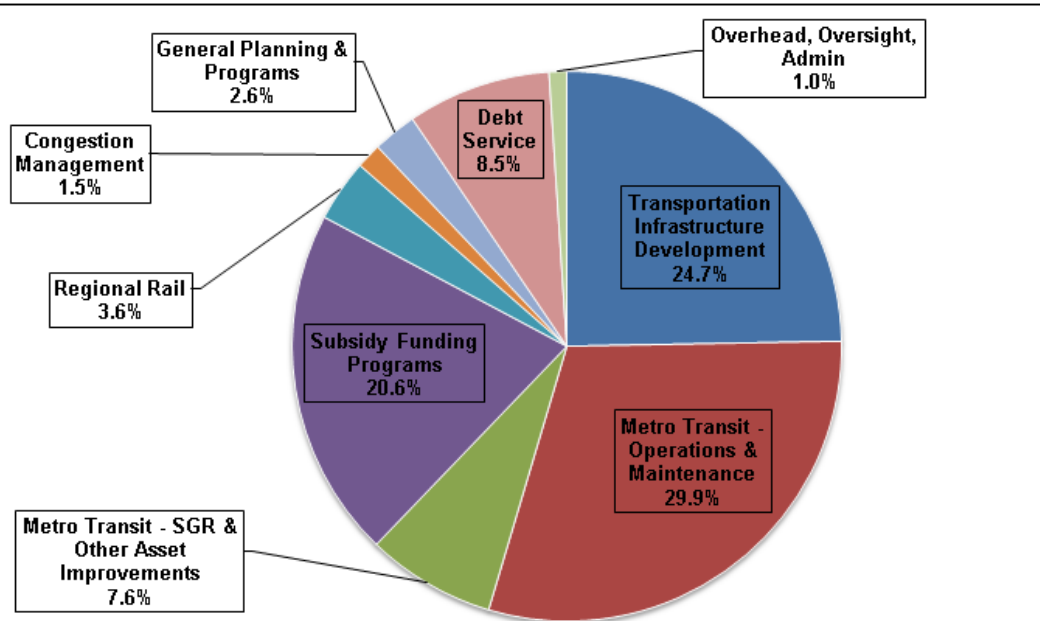


- The Total Expenses Reduction Curve follows the Revenue Loss Curve
- Cost inflation is projected to increase by 2.3%, taking into account the historical trend and leading regional forecasts
- Anticipated recovery assumes to start in Q2 and continue through the remainder of FY21
- A midyear budget adjustment may be necessary as recovery takes longer than assumed

FY21 Preliminary Budget Program Overview

Program Type (\$ in millions)	FY20 Budget	FY21 Preliminary Budget	FY20 - FY21 \$ Change	FY20 - FY21 % Change
1 Transportation Infrastructure Development	\$ 2,382.4	\$ 1,486.5	\$ (895.9)	-37.6%
2 Metro Transit - Operations & Maintenance	1,839.1	1,798.6	(40.4)	-2.2%
3 Metro Transit - SGR & Other Asset Improvements	493.5	457.0	(36.5)	-7.4%
4 Subsidy Funding Programs	1,404.7	1,238.6	(166.0)	-11.8%
5 Regional Rail	178.2	219.5	41.3	23.2%
6 Congestion Management	135.9	89.6	(46.3)	-34.0%
7 General Planning & Programs	168.9	155.1	(13.8)	-8.2%
8 Debt Service	534.9	509.2	(25.8)	-4.8%
9 Oversight and Admin	71.2	62.6	(8.6)	-12.1%
10 Total Expenditures	\$ 7,208.8	\$ 6,016.7	\$ (1,192.1)	-16.5%

Expenditure % of FY21 Preliminary Budget



- FY21 Preliminary Budget is 16.5% or \$1.2BB less than FY20 Budget
- All FY20 projects are scheduled to continue moving forward in FY21 Preliminary Budget

Transportation Infrastructure Development

Transit Expansion

- Efforts continue on all infrastructure projects, including 4 pillar projects, in accordance with Measure M schedule for environmental clearance and shovel readiness
- Focus will be on critical tasks during the first quarter (continuing resolution period) when the revenue shortfall is anticipated to be at its maximum

Transit Expansion (\$ in millions)		FY20 Budget	FY21 Preliminary	Difference	Notes
1	Measure R/M Transit Construction				
2	Westside Purple Line Extension Section 1	\$ 283.5	\$ 181.2	\$ (102.3)	3.92 miles, RSD in 2023
3	Westside Purple Line Extension Section 2	312.3	121.5	(190.8)	2.59 miles, RSD in 2025
4	Westside Purple Line Extension Section 3	457.3	223.2	(234.1)	2.56 miles, RSD in 2027
5	Division 20 Portal Widening & Turnback	85.0	91.1	6.2	Downtown LA, near Arts District
6	Westside Purple Line Extension Subtotal	\$ 1,138.0	\$ 617.0	\$ (521.0)	
7	Regional Connector Light Rail Transit	\$ 220.2	\$ 144.5	\$ (75.7)	1.9 miles, RSD in 2022
8	Crenshaw/LAX Light Rail Transit	224.5	111.7	(112.8)	8.5 miles, RSD in 2021
9	Gold Line Foothill Extension Phase 2	156.2	101.5	(54.7)	12.3 miles thru Montclair, substantial completion by 2028
10	East San Fernando Valley Light Rail Transit	35.4	16.2	(19.2)	9.2 miles, NEPA clearance in FY21
11	Airport Metro Connector	68.8	80.3	11.6	Aviation/96th St Station - Crenshaw/LAX
12	Expo Light Rail Transit Close Out	3.0	1.9	(1.1)	closeout activities
13	Metro Orange Line Improvements	21.3	20.5	(0.9)	improve speed, safety, capacity
14	Systemwide	92.0	80.0	(12.0)	
15	Business Interruption Fund	7.0	5.6	(1.4)	
16	Measure R/M Transit Construction Total	\$ 1,966.4	\$ 1,179.2	\$ (787.3)	
17	Measure R/M Transit Planning				
18	West Santa Ana Branch Transit Expansion	\$ 49.0	\$ 16.5	\$ (32.6)	4 pillar project
19	Sepulveda Transit Corridor	8.2	13.3	5.1	4 pillar project
20	Eastside Light Rail Access	9.0	6.5	(2.5)	
21	North Hollywood / Pasadena BRT Connector	3.2	5.7	2.5	
22	Eastside Light Rail Transit Extension Phase 2	9.2	4.2	(5.1)	4 pillar project
23	Green Line Extension to Torrance	2.2	8.3	6.2	4 pillar project
24	Vermont Transit Corridor	1.2	3.2	2.0	
25	Crenshaw Northern Extension	2.0	2.8	0.8	
26	North San Fernando Valley Bus Rapid Transit	3.4	2.5	(0.9)	
27	Measure R/M Transit Planning Total	\$ 87.4	\$ 63.0	\$ (24.4)	
28	Program Control & Support Total	\$ 11.9	\$ 14.0	\$ 2.1	
29	Transit Expansion Grand Total	\$ 2,065.8	\$ 1,256.2	\$ (809.6)	

Transportation Infrastructure Development Highway

- Efforts continue on all infrastructure projects, in accordance with Measure M schedule for environmental clearance and shovel readiness
- High Desert Corridor has additional budget reported under Regional Rail program for efforts on intercity rail service development plan

Highway Program (\$ in millions)		FY20 Budget	FY21 Preliminary	Difference	Phase
1	Measure R / M Highway Projects				
2	Alameda Corridor East Grade Separations Phase 2	\$ 30.0	\$ 50.1	\$ 20.1	various
3	Interstate 605 Corridor "Hot Spot" Improvements	45.7	19.8	(25.9)	various
4	Interstate 5 North Capacity Enhance SR-14 to Kern County Line	17.2	13.5	(3.6)	construction
5	SR-57/SR-60 Interchange Improvements	23.4	6.9	(16.5)	plans, specs & estimates
6	Interstate 405, I-110, I-105, and SR-91 Ramp and Interchange Imp (South Bay)	20.7	20.6	(0.1)	various
7	Countywide Sound Wall Assessment & Constructions	25.8	15.4	(10.4)	various
8	Interstate 5 Capacity Enhancement from SR-134 to SR-170	21.9	15.3	(6.6)	construction
9	State Route 138 Capacity Enhancements	27.6	15.6	(12.0)	various
10	Interstate 5 Capacity Enhancement from I-605 to Orange County Line	25.6	15.0	(10.6)	construction
11	SR-710 North Corridor Mobility Improvements	0.8	8.3	7.5	plans, specs & estimates
12	Interstate 710 South and/or Early Action Projects	31.6	17.1	(14.4)	various
13	Interstate 105 Express Lanes	2.5	2.9	0.4	environmental
14	Interstate 405 Sepulveda Express Lanes	2.3	2.0	(0.4)	environmental
15	Highway Operational Improvements in Las Virgenes/Malibu Subregion	15.2	9.8	(5.3)	various
16	Highway Operational Improvements in Arroyo Verdugo Subregion	13.7	7.8	(5.9)	various
17	Interstate 5 / St. Route 14 Capacity Enhancement	1.5	1.5	0.0	various
18	Interstate 5 Corridor Improvements (I-605 to I-710)	0.5	0.0	(0.5)	various
19	Highway Efficiency Program	1.6	0.9	(0.7)	various
20	Transportation System and Mobility Improvement Program	1.5	16.2	14.7	various
21	Highway Demand Based Prog and Operational Improvements	1.6	0.4	(1.2)	various
22	High Desert Corridor (highway department activities)	1.5	0.6	(1.0)	various
23	Measure R / M Highway Projects Total	\$ 312.2	\$ 239.8	\$ (72.4)	
24	Non-Measure R / M Highway Projects				
25	Interstate 210 Barrier Replacement	\$ 7.9	\$ 2.4	\$ (5.5)	plans, specs & estimates
26	Highway Planning & Admin	4.2	2.6	(1.7)	administration
27	Caltrans Property Maintenance	3.5	1.3	(2.2)	operational
28	Interstate 405 Car Pool Lane	0.8	0.2	(0.6)	close-out
29	Non-Measure R / M Highway Projects Total	\$ 16.4	\$ 6.5	\$ (10.0)	
30	Highway Program Grand Total	\$ 328.6	\$ 246.3	\$ (82.3)	

Subsidy Funding Programs

	Subsidy Funding Programs (\$ In millions)	FY 20 Budget	FY21 Preliminary	\$ Change	% Change
	Local Agencies	\$ 779.3	\$ 702.5	\$ (76.8)	-9.8%
★ CARES Act	Regional Transit	473.1	387.3	(85.8)	-18.1%
★ CARES Act	Access Services (Note 1)	110.3	111.1	0.8	0.7%
	Regional Federal Grants	27.4	23.3	(4.1)	-15.0%
★ CARES Act	Fare Assistance	14.6	14.4	(0.2)	-1.6%
	Total Subsidy Funding Programs	\$ 1,404.7	\$ 1,238.6	\$ (166.1)	-11.8%

Note 1: Access' Funding Request is being reviewed and will be adjusted.

- The overall decrease is a result of the decline in sales tax revenues
- Regional Transit declines are mitigated by CARES funding
 - Board approved allocations provide double the estimated sales tax losses (maintain funding levels and supplemental relief)
 - Municipal Operators apply directly to FTA (CARES allocations not included in the table above)
- Tier 2, Small Operators and Access Services will receive CARES equivalent funding which is included in the table above

Other Metro Programs

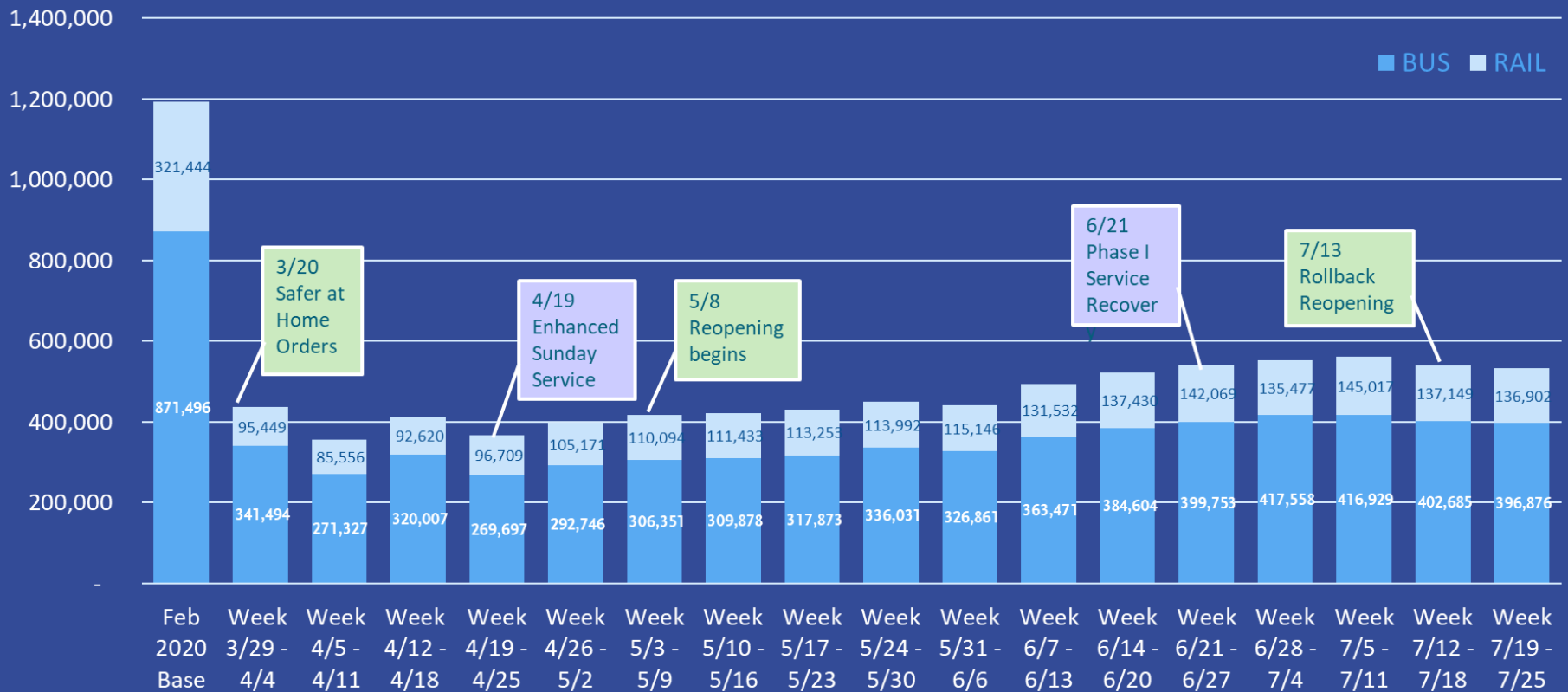
	Program Type (\$ in millions)	FY20 Budget	FY21 Preliminary Budget	\$ Change	% Change	Key Activities
1	Congestion Management	\$ 135.9	\$ 89.6	\$ (46.3)	-34.0%	In FY21, the program will strive to provide safe and efficient services to motorists traveling on Los Angeles County ExpressLanes and freeways despite the funding changes due to the current economic downturn. The ExpressLane Pay-As-You-Go pilot program will continue. The Occupancy Detection System and next-generation “6C” transponder will be deployed. Implementation of updated Back-Office System will improve customer service and experience. Deployment and operation of the Spanish IVR phone service and new mobile application for Southern California 511. The planning study for I-105 ExpressLane will stay on the original Measure M schedule.
2	General Planning & Programs	\$ 168.9	\$ 155.1	\$ (13.8)	-8.2%	Projects are evaluated to continue at regular or adjusted speed in response to the CEO’s Cost Control Action. Key FY21 activities include P3 development work on West Santa Ana Branch and Sepulveda Transit Corridor, continuation of Board approved Union Station capital projects, Rail to Rail/River Active Transportation Corridor Segment A construction and Segment B supplemental planning study, LA River Bike Path Phase 2 environmental clearance and design, First/Last Mile planning work on MR/MM projects and Centinela Grade Separation preliminary design.
3	Oversight and Admin	\$ 71.2	\$ 62.6	\$ (8.6)	-12.1%	A decrease by -12.1% to maintain low oversight and admin costs at 3% of total budget while continuing to invest in agency priorities such as equity, sustainability and climate action initiatives and projects.
4	Debt Service	\$ 534.9	\$ 509.2	\$ (25.8)	-4.8%	The annual debt service cost in FY21 is estimated at \$506.8 million, a decrease of 4.8% over last year’s FY20 Budget of \$531.6 million, primarily due to repayment schedule structure at the time of the original bond issuance.
5	TID, Operations, Regional Rail, & Subsidy Programs	\$ 6,297.9	\$ 5,200.2	\$ (1,097.7)	-17.4%	
6	Total Expenses	\$ 7,208.8	\$ 6,016.7	\$ (1,192.1)	-16.5%	

FY21 Revenue Hour Planning Parameters



Transit Service
Planning Framework
August 2020

Ridership Trends



Planning Principles

- 1 Initial reduction in service (Apr 2020) in response to declines in ridership, revenues, and staffing levels
- 2 Service adjustments informed by weekly ridership and load analysis, Operator/BOC report, social media reports, economic indicators
- 3 Continue to track Safer at Home orders and Reopening Phases to anticipate ridership changes
- 4 Build back system based on principles established through NextGen
- 5 Nimble to easily adjust to changing trends in travel demand & economic recovery, and resources (revenues and staffing levels)

Bus Recovery Phasing Plan

	BASE COVID Enhanced Sunday Service	PHASE 1 “Orders Begin Lifting”	PHASE 2 “Schools Back, Start NextGen”	PHASE 3 “Post-COVID FY21 New Norm”	PHASE 4 “NextGen FY22 New Norm”
Objective	Provide for essential travel only	Proactively manage core network for returning customers as COVID impacts evolve. Complete NextGen PH & approvals and begin implementation		React to patterns of emerging econ. growth	Continue buildout of a sustainable NextGen Plan for the New Normal
Timing	April 2020	June 2020	December 2020	January-June 2021	July 2021 – June 2022
Est. Service Levels (RSH)	5.0M (-30%)	5.6M (-20%)	5.6M (-20%)	5.6M (-20%)	6.5 M (-8% est.)
Service Adjustments	<ul style="list-style-type: none"> - Sunday Base - Add weekday Locals, Rapids 	<ul style="list-style-type: none"> - Reduce underutilized peak service - Right-size added weekday Rapids - Add extra trips where highest loads (Tier 1,2) - Tier 3,4 – maintain Sun service level all week 	<ul style="list-style-type: none"> - Begin NextGen network changes (approved) - Redeploy trips to high load and Tier 1, 2 lines - Replace some unproductive service with MicroTransit - Add School trippers (when schools reopen) 	<ul style="list-style-type: none"> - Continue to monitor economic recovery - Implement demand specific service reallocations IF available - Reg Connect. bus bridge - Match service levels to any mid-year budget adjustments 	<ul style="list-style-type: none"> - Complete NextGen routing changes - Enhance Tier 1,2 midday & weekend freq. towards NextGen goals given resources and ridership -- Implement second group of MicroTransit zones



Capital Improvements

FY 21 NextGen Related Projects	FY21 Budget	LOP	Status	Opening Date
Patsaouras Plaza Busway Station	\$3M	\$49M	Under construction, nearly complete	Sept 2020
DTLA Bus Priority Lanes on Flower, 5 th , 6 th & Aliso Streets	-	\$0.6M	Flower, 5 th , 6 th Streets* completed; Aliso Street** in design	*Completed **Oct 2020
Cesar Chavez/Vignes Bus Pavilion at Union Station	\$1.1M	\$2.5M	Under construction, nearly complete	Sept 2020
Willowbrook/Rosa Parks Station Bus Plaza & Passenger Drop-Off	\$12.2M	\$15M	Under construction	Mar 2021
Total	\$16.3M	\$67.1M		

Other Major Bus Improvements	FY21 Budget	Project Cost	Status	Opening Date
Airport Metro Connector Bus Plaza	\$75M	\$75M	Begin construction in spring 2021	2024
G Line (Orange) BRT Improvements	\$20.4M	\$361M	In design; begin construction in fall 2021	2025
NoHo To Pasadena BRT	\$5.7M	\$267M	In planning, EIR release winter 2021	2024/2025
North San Fernando Valley (NSFV) BRT	\$2.5M	\$180M	In planning, EIR release winter 2021	2024/2025
Vermont Av BRT	\$3.2M	\$425M	In planning, EIR release date 2021/2022	2028
Total	\$106.8M	\$1,308M		

Grand Total	\$123.1M	\$1,375M		
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NextGen Capital Program

\$15M Program for FY 21-22

Speed & Reliability Improvements on Tier 1 Corridors

- Bus Priority Lanes on Tier 1 Corridors
- Transit Signal Priority Loop Detection
- All Door Boarding Expansion
- Bus Zone Optimization
- LADOT & External Affairs Support

Systemwide Upgrades

- Transit Signal Priority for Local Buses
- Bus Stop Bulb Outs
- Metro Rail Speed Analysis
- Station Cleanliness & Evaluation

Phasing Over Two Years

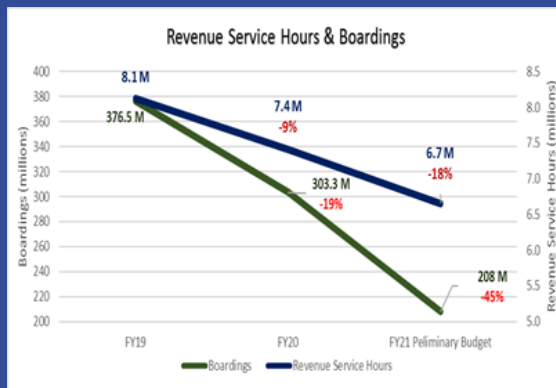
FY 21 Program (\$7M)

- Technical Analysis & Outreach for Bus Priority Lanes on 5 new Tier 1 Corridors
- Implement Bus Priority Lanes as Prioritized from Technical Analysis & Outreach Process
- All Door Boarding Expansion
- Bus Zone Optimization
- Metro Rail Speed Analysis
- Station Cleanliness & Evaluation

FY 22 Program (\$8M)

- Implement remaining Bus Priority Lanes
- Transit Signal Priority Expansion
- Bus Stop Bulb Outs Expansion

Metro Transit Expense Summary



Metro Transit Expenses (\$ in millions)	Expense Category	FY20 Budget	FY21 Preliminary	\$ Change	% Change	% of Total
Direct Operating Cost	Labor - FTE	\$ 1,147.9	\$ 1,192.6	\$ 44.7	4%	53%
	Labor - Overtime	\$ 88.9	\$ 53.0	\$ (35.9)	-40%	2%
	Total Labor	\$ 1,236.8	\$ 1,245.7	\$ 8.9	1%	55%
	Service-related Consumables	\$ 148.9	\$ 119.4	\$ (29.5)	-20%	5%
	Other	\$ 171.4	\$ 159.0	\$ (12.5)	-7%	7%
	Total Non-Labor	\$ 320.4	\$ 278.4	\$ (42.0)	-13%	12%
Total Direct Operating Cost		\$ 1,557.2	\$ 1,524.1	\$ (33.1)	-2%	68%
Support Costs		\$ 281.9	\$ 274.6	\$ (7.3)	-3%	12%
Total Metro - Transit Operations & Maintenance		\$ 1,839.1	\$ 1,798.6	\$ (40.4)	-2%	80%
Metro Transit - SGR		\$ 493.5	\$ 457.0	\$ (36.5)	-7%	20%
Total Metro Transit		\$ 2,332.6	\$ 2,255.6	\$ (77.0)	-3%	100%

Revenue Service Hours (RSH) and Boardings

- Boardings and RSHs drive the costs needed to run service and maintain infrastructure
- On average, FY21 RSH will be 81% of pre-COVID service levels and will support 55% of estimated boardings
- Service will be phased-in and support people returning to work, changing demand, NextGen, and Microtransit implementation

Operations & Maintenance

- Preserve staffing levels & maintain commitment to negotiated CBA provisions
- Reductions in overtime, consumables, and other cost control initiatives offset cost of staffing preservation

State of Good Repair

- Supports bus and rail vehicle deliveries, bus fleet electrification, and reflects cash flow required to complete project milestones and deliverables

NextGen Capital Investment

- Direct Operational planning, technical analysis for a total of \$15 million, \$7 million in FY21 and \$8 million in FY22, is included in Operation's preliminary budget
- Additional bus related investments, \$123 million in FY21

Major Risks in FY21 Budget

- Further decline in sales tax revenues from our March estimate as a result of extended stay at home orders due to the ongoing COVID-19 pandemic.
- Costs that rise faster than the inflation factor built into the budget for goods/services used to deliver Metro's projects and services.
- Uncertainty regarding if/when business activity will return to pre-COVID levels.
- Uncertainty regarding public willingness to return to public transit post-COVID.
- Changes in Metro's share of federal and state funding that is dependent on legislative or other action.
- Unplanned / unfunded projects added post Budget Adoption

Budget Outreach Update

Jul – Sept



Bus Car Cards

Aug

- Metro FB Events
- Metro Projects Pages
- E-Blast: (1st & 2nd)
- TheSource



SEPT

- NextDoor
- FB Events
- Instagram Stories
- Twitter
- E-Blast (3rd) Reminders



Metro.net/myvoice

- Questionnaire:
 - Responses (1,069)
 - Comments (469)
- Webpage:
 - Visits (6,851)

- FY21 Budget Briefing – Regional Service Councils – **Sept 3***
- Public Hearing – **Sept 16***
- Board Adoption FY21 Budget– **Sept 24***

Next Steps

- Proposed Book will be available for public viewing: **September 1st**
- Upcoming Outreach Events
 - Virtual Stakeholder and Service Council Meeting on **September 3rd**
- Public Hearing of the Proposed Budget to take place on **September 16th**
- Final Board Adoption expected on **September 24th**
 - Board Adoption is legally required
 - Mid-Year Budget Update (if needed) – December/January TBD
 - Review of the Sales Tax and Other Revenues, based on duration of pandemic
 - Review of delivery and expenditure on projects and programs and adjustments on a case by case basis
 - Opportunity of additional funding and competitiveness of our projects