



Board Report

File #: 2020-0726, File Type: Informational Report

Agenda Number: 11.

**REVISED**  
**FINANCE, BUDGET AND AUDIT COMMITTEE**  
**JANUARY 20, 2021**

**SUBJECT: FISCAL YEAR 2021 (FY21) MID-YEAR BUDGET**

**ACTION: APPROVE RECOMMENDATIONS**

**RECOMMENDATION**

CONSIDER:

- A. AMENDING the FY21 Budget by \$765 million from \$6.23 billion annual consolidated expenditures to \$6.99 billion to achieve goals and objectives set forth by the Board adopted Metro Vision 2028 strategic plan; and
- B. AMENDING an increase of 5 Non-Represented FTEs from FY21 Adopted Budget authorized levels: 3 for Equity and Race and 2 for Customer Experience

**ISSUE**

This report provides an update for revenues and expenses related to the FY21 Budget and request board approval to amend the FY21 Budget to the eligible Metro programs while maximizing the available financial resources. The increase to the FY21 Budget, during this mid-year update, is the result of our current economic conditions, reforecast of sales tax revenues, and effective cost control practices.

**DISCUSSION**

Revenue Reforecast Update

Staff have been closely monitoring Metro’s revenues as they relate to, and deviate from, historical patterns. We have been tracking current social and economic trends for potential impacts to Metro’s revenue sources. The FY21 Mid-Year reforecast resource summary by type is in the following table.

**FY21 Reforecast Resources**

Resources (\$ in millions)	FY21 Budget	FY21 Reforecast	\$ Change	% Change
1 Sales Tax, TDA and STA	\$ 3,895.0	\$ 4,177.2	\$ 282.2	7.2%
2 CARES Act	569.6	569.6	-	0.0%
3 Passenger Fares	60.3	22.2	(38.1)	-63.2%
4 ExpressLanes, Advertising and Other Revenues	138.6	109.6	(29.0)	-20.9%
5 Grants and TIFIA	1,138.9	1,138.9	-	0.0%
6 Debt and Additional Debt Proceeds if necessary*	424.9	974.8	549.9	129.4%
<b>Total Resources</b>	<b>\$ 6,227.3</b>	<b>\$ 6,992.3</b>	<b>\$ 765.0</b>	<b>12.3%</b>

\* Debt will be issued based on need, subject to Board Approval

NOTE: Totals may not add up because of rounding

To date, sales tax revenues have not declined as much as projected in the Adopted Budget. There was a significant bounce back in the Spring quarter, largely due to the broad economic stimulus of the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act. The Federal legislation helped Metro two ways: First, directly through the transportation allocations in the law; Second, indirectly through individual and business stimulus payments and loans, which created additional sales tax receipts in Los Angeles (LA) County.

This recovery stalled over the summer. Actual sales tax receipts for the first quarter of FY21 are over budget but have stopped increasing. Looking forward, there are both positive and negative indicators for taxable sales. On the positive side, the consensus economic projection is for tepid and uneven but continued growth. The National Retail Federation projects holiday spending increased 4%-5% compared to 2019. Also, LA County's economy will receive a boost from the Supplemental stimulus package recently approved by Congress just as it did from the CARES Act (The direct transportation allocations are expected to be received in Q4 and will be programmed in the FY22 Budget).

On the negative side, the COVID-19 pandemic continues to ravage the county and efforts to combat it will have continuing economic impacts. While it is apparent a full economic recovery will take longer than originally expected, overall, we are cautiously optimistic that sales tax receipts will continue slightly above budgeted amounts, generating an additional \$282 million in sales tax revenues, or a 7.7% increase, above the FY21 Adopted Budget level.

The revenue picture is not as optimistic within Operations. The reduction in travel continues to have a negative impact on Metro's system-generated revenues which are projected to be even lower than Adopted Budget levels. Farebox revenues are only a fraction of prior year levels and have fallen much farther than ridership due to rear door boarding. The advertising contract has been temporarily modified to provide relief to the vendor by reducing their payments. ExpressLanes tolls, parking, and bikeshare revenues have all fallen due to reduced usage. These losses in operating-eligible funding sources will have to be covered by operating-eligible sales tax revenues, offsetting many of those gains. The table below shows the overall changes in terms of fund eligibility.

**Mid-Year Changes in Sales Tax and Other Resources by Funding Eligibility**

Resources (\$ in millions)	Funding Eligibility				
	Metro Transit Ops/SGR	Flex Funding Eligible for Ops/SGR/TID	Transit Expansion	Other Dedicated	Total Funding Gain/(Loss)
1 Sales Tax, TDA and STA	\$ 14.7	\$ 97.7	\$ 43.2	\$ 126.5	\$ 282.2
2 Passenger Fares	-	(38.1)	-	-	(38.1)
3 ExpressLanes, Advertising and Other Revenues*	(0.7)	(15.0)	-	(13.3)	(28.9)
Total Additional FY21 Funding	\$ 14.0	\$ 44.6	\$ 43.2	\$ 113.2	\$ 215.1
<b>Total Funding Eligible for Operations</b>	<b>\$ 58.6</b>				

\* Other Revenues include Green Fund, HOV Fines, Transit Court, Parking, Bikeshare and Lease Revenues.

NOTE: Totals may not add up because of rounding

In total, \$215 million is projected to be available for the FY21 Budget. Out of \$67 million of combined operating income declines, consisting of -\$38.1 million from Passenger Fares and -\$28.9 from other revenues, \$53 million are operating-eligible revenues, primarily Passenger Fares and the Green Fund. These losses offset some of the sales tax gains, resulting in an increase of \$58.6 million in funding eligible for Operations. Proposed allocations of these funds will be discussed later in this report, but it is important to note that all additional funding that is eligible for Operations is allocated to Operations. Gains and losses in dedicated revenue sources like Regional Rail, General Planning and Programs, Congestion Management, and Subsidies fall into those specific programs.

Every eligible transit dollar has been made available to seize opportunities in increasing operating projects to further enhance the speed and efficiency from the NextGen implementation and initiate the Customer Experience plan.

Transit Expansion, Highway, and Regional Rail Projects

Metro is leveraging the additional \$43.2 million of Transit Expansion eligible funds and net savings of \$34.3 from refinancing existing debt to advance the drawdown of approved grants in current fiscal year. Metro’s \$741.4 million cashflow increase will be funded with additional sales tax, advancement of FFGA and other grants, and debt proceeds within Board authorized Life of Project (LOP) budget. All new debt issuance will be in accordance with previously approved Board Approved policies and requires separate Board Action.

Table below depicts those projects with midyear cashflow adjustments for the remainder of FY21. These increases are within Board authorized LOP budget.

Projects with Midyear Adjustment	FY21 Adapted	Midyear Increase	Adopted + Midyear	Activities
<b>TRANSPORTATION INFRASTRUCTURE DEVELOPMENT (TID)</b>				
<b>Transit Expansion</b>				
Crenshaw/LAX	\$ 73.0	\$ 15.2	\$ 88.2	Project is 97% complete Focused on systems integration testing prior to putting it into revenue service
Regional Connector	136.0	82.8	218.8	Project is 71% complete; revenue service dates summer/fall 2022 Focused on completed structural concrete and track work installation
Westside Purple Line Section 1	170.7	144.4	315.1	Project is 66% complete; revenue service date in summer of 2023 Focus on TBM tunnel drive completion – 8 of the 12 cross passages excavated, and concrete placements occurring at station sites
Westside Purple Line Section 2	113.1	170.1	283.1	Project is 39% complete; revenue service date in 2025 Focused on final design completion; construction activities in Century City and Beverly Hills
Westside Purple Line Section 3	213.2	213.3	426.5	Project is 16% complete; revenue service date in 2027 Focus on third party utility relocations, continue with final design on one contract, and prepare for tunneling operation
Division 20 Portal Widening & Turnback	88.1	53.2	141.3	Much of adopted budget spent on mobilization costs Additional funds for construction as staging area and preparatory work finalizes
East San Fernando Valley Transit Corridor	12.8	18.1	30.9	NEPA environmental cleared in Dec-20 Utility conflict investigation consisting of potholing and slot trenching
Eastside Extension Phase 2	2.9	1.5	4.4	Allow for engineering and EIR work to be back on schedule
<b>Transit Expansion Subtotal</b>	<b>\$ 809.8</b>	<b>\$ 698.5</b>	<b>\$ 1,508.3</b>	
<b>Highway</b>				
Soundwall Package 10	\$ 1.2	\$ 0.9	\$ 2.1	Caltrans expected to finish design by Q3 and Metro to lead soundwall construction
Soundwall Package 11	11.3	12.0	23.3	Re-design due to differing site conditions from as-built drawings Continue with permeation grouting
SR-57/SR-60 Interchange Improvements	6.5	3.2	9.7	Advance project through design phase using the TCEP grant
SR-91 Improvements	6.7	2.0	8.7	Progress through environmental phase for shovel readiness.
<b>Highway Total</b>	<b>\$ 25.7</b>	<b>\$ 18.1</b>	<b>\$ 43.8</b>	
<b>REGIONAL RAIL</b>				
Link US	\$ 53.8	\$ 24.8	\$ 78.6	Right-of-way acquisitions anticipated in Q4
<b>TID &amp; Regional Rail Total</b>	<b>\$ 889.3</b>	<b>\$ 741.4</b>	<b>\$ 1,630.7</b>	
<b>Savings From Debt Refinancing</b>	<b>509.2</b>	<b>(34.3)</b>	<b>475</b>	
<b>Total Project Adjustment in TID, Regional Rail and Debt Services</b>	<b>\$ 1,398.5</b>	<b>\$ 707.1</b>	<b>\$ 2,105.6</b>	

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### Metro Transit Program Recommended Options

Applying all operating eligible funding of \$58.6 million to Bus/Rail Operations and State of Good Repair, Metro staff has recommended a list of prioritized initiatives to improve the customer experience, continue rollout of NextGen/Mobility on Demand, Capital State of Good Repair, staffing recruitment for Regional Connector, and implementation of other operational needs. Service-related criteria, as well as other criteria including Equity, Grant Funding Consideration, Project Readiness, Project Interdependency, and Safety/Reliability have been evaluated to implement the initiatives and to optimize the additional revenues.

Initiative (\$ in millions)	FY21 Mid-Year Budget Adjustment
1 Customer Experience	\$ 4.9
2 NextGen Infrastructure Study/Mobility on Demand	10.0
3 Capital State of Good Repair	24.3
4 Regional Connector Staffing	4.3
5 Other Operational Needs	15.1
<b>Total Initiatives</b>	<b>\$ 58.6</b>

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- **Customer Experience initiatives** include real-time identification of customer impacts of pass-ups, deployment of elevator attendants at various stations, reducing homelessness on the system by 50%, flexible dispatching of various people with expertise for quick problem response, advertising campaigns to increase TransitWatch use, Better Bus engagement tool/Metro.net website overhaul, and increasing customer experience surveys
- **NextGen/Mobility on Demand initiatives** relate to continued NextGen infrastructure studies and incorporating Mobility on Demand into Microtransit
- **Capital State of Good Repair initiatives** will re-establish scheduled fleet and infrastructure scheduling priorities that were delayed. Projects include new bus engine procurement, bus vehicle delivery, rail vehicle mid-life and component overhaul programs, and rail infrastructure improvements
- **Regional Connector staffing recruitment** will initiate maintenance training to gear up for the upcoming Rail Operations Date (ROD)
- **Other Operational Needs** include Bus/ Rail fleet maintenance campaigns, backfilling expenses to cover Purchased Transportation revenue service hour increases, and additional budget to complete the build out of lactation rooms at various facilities

Five (5) Non-Represented FTEs - Equity & Race and Customer Experience

Metro believes that access to opportunity should be at the center of decision-making around public investments and services. Accordingly, led by the Office of Equity and Race, Metro continues to take steps to operationalize and institutionalize equity under the four pillars of the Board-adopted Equity Platform. The Office of Equity and Race is requesting Board approval for three (3) Non-Represented FTEs to increase capacity to lead this work and improve efforts to expand access for historically and currently marginalized, underserved, and vulnerable communities, to contribute to a more inclusive and equitable LA County.

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Additionally, Metro seeks to improve mobility in LA County by doubling the number of people who travel by modes other than single occupancy vehicles in the next ten years. In order to achieve this goal, the Customer Experience department has requested Board approval for two (2) Non-Represented FTEs to improve the customer experience across all Metro products and services to deliver customers with an outstanding, reliable, safe, and comfortable journey.

### **EQUITY ASSESSMENT**

Metro staff developed and applied the Metro Budget Equity Assessment Tool (MBEAT) to the budgetary requests in this board action to understand the potential benefits and burdens for historically and currently marginalized communities and determine how budgetary requests might support more equitable outcomes. Overall, application of the MBEAT highlighted budgetary requests with a wide range of benefits for marginalized and/or vulnerable communities, helped staff identify potential barriers or harms to address, and helped staff consider adjustments to improve access and reduce potential barriers or harms. It also highlighted a need for broader training to not only answer MBEAT questions, but to help staff think through how investment, projects, programs, and policies might cause harm or not benefit all as intended, given historic and current disparities and systemic inequities.

Please see the Mid-Year FY20-21 Budget Equity Assessment - Receive and File Report for a summary of highlights on the findings, new process and next steps.

### **DETERMINATION OF SAFETY IMPACT**

Approval of this item will not impact safety.

### **FINANCIAL IMPACT**

The FY21 Proposed Mid-Year Budget at \$6.99 billion is balanced and appropriates the resources necessary to fund them. The proposed mid-year budget demonstrates Metro's ongoing commitment to meeting its capital and operating obligations, which is essential in receiving subsidies from the state and federal governments and to administer regional transportation funding to local cities and municipal operators.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommendation supports Metro Vision 2028 Strategic Goal # 5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

### **NEXT STEPS**

Upon Board amendment of the FY21 Budget, Metro will make funds available for the planned transit and transportation programs outlined in this document.

Metro staff will continue to monitor the financial situation considering the COVID-19 pandemic and

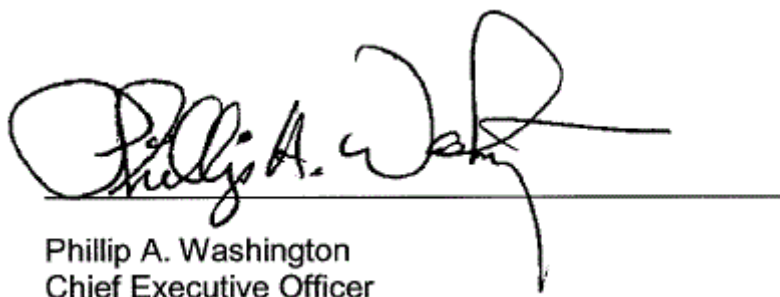
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reassess resources, expenditures, and economic recovery which may result in returning to the Board for another amendment in FY21, if necessary.

With the allocation and application of the recently approved additional stimulus package yet to be determined by the federal government, Metro will assess the financial impact of the amount available for all transit agencies in the County and integrate the information into the FY22 Budget Development process.

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



Phillip A. Washington  
Chief Executive Officer

# FY21 Mid-Year Budget

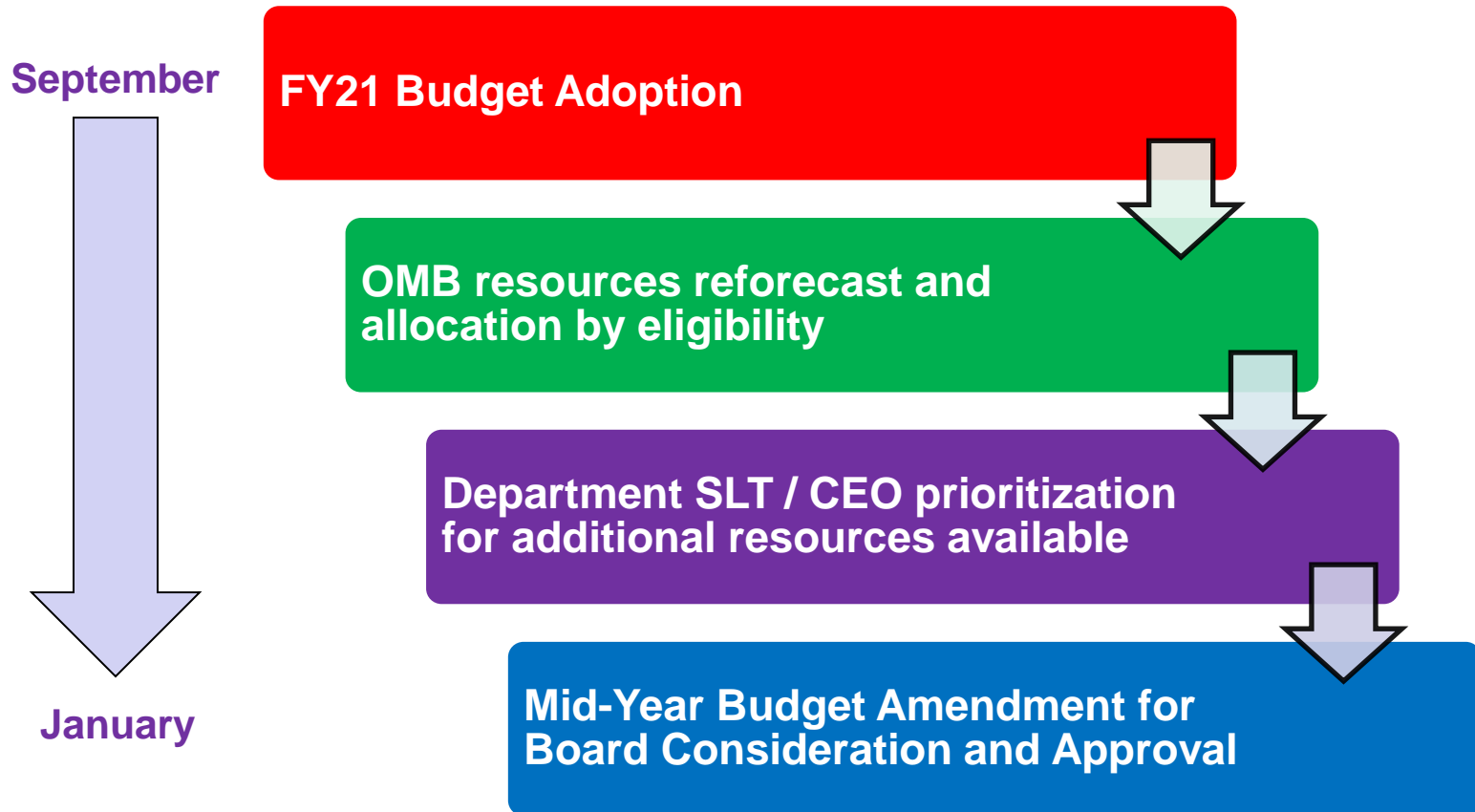
Finance, Budget & Audit Committee  
January 20, 2021



# Meeting Agenda

- **FY21 Mid-Year Budget Process**
- **Revenue Reforecast Update**
- **Transportation Infrastructure Development**
- **Metro Transit:**
  - **Operations & Maintenance**
  - **State of Good Repair**
  - **Customer Experience**
- **FTE increases for Customer Experience and Equity and Race**
- **Next Steps**

# FY21 Mid-Year Budget Development Process



# FY21 Mid-Year Budget Summary

**Recommendation: Requesting approval to AMEND the FY21 Budget by \$765M from \$6.23B to \$6.99B and AMEND 5 Non-Represented FTEs for Equity and Race and Customer Experience**

## Revenues

- Sales Tax Revenue forecasted to increase \$282.2M compared to FY21 Budget
- System-Generated Revenues (Fares, Toll Revenues) projected to decrease by -\$67.1M
- Recent federal stimulus package will be programmed for FY22 Budget when the allocation is approved by the Board

## Expenses

- Transit Expansion, Highway, and Regional Rail projects increase to be funded by a combination of the projected sales tax increase, the advancement of FFGA and other grants, and the issuance of new debt if necessary.
- All Transit Operations-eligible funding allocated to Operations for Customer Experience initiatives, NextGen / Mobility on Demand initiatives, Capital State of Good Repair projects, Regional Connector staffing recruitment, and Other Operational Needs
- Newly created Metro Budget Equity Assessment Tool (MBEAT) applied to the budgetary adjustments
- Increase of 5 Non-Represented FTEs compared to FY21 Budget
  - 3 for Equity and Race
  - 2 for Customer Experience

**If needed, additional updates will be brought to Board for approval based on the pace of recovery**

# Revenue Reforecast

## FY21 Reforecast Resources

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<b>Total Resources</b>	<b>\$ 6,227.3</b>	<b>\$ 6,992.3</b>	<b>\$ 765.0</b>	<b>12.3%</b>

\* Debt will be issued based on need, subject to Board Approval

- Overall Resources is projected to be \$765M or 12.3% higher than FY21 Budget
- Sales Tax Revenues have not declined as much as originally projected, with a \$282.2M increase or +7.2%
  - Sales Tax receipts in Q1 FYH21 was higher than projected but coming down to budgeted levels in recent months
  - CARES impact had broad economic impact
- Operating Revenues (Fares, Expresslanes, Advertising and Other) is projected lower \$67.1M compared to FY21 Budget
- If necessary, \$549.9M additional debt proceeds available subject to Board Approval

# Revenue by Funding Eligibility

**Mid-Year Changes in Sales Tax and Other Resources by Funding Eligibility**

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<b>Total Funding Eligible for Operations</b>	<b>\$ 58.6</b>				

\* Other Revenues include Green Fund, HOV Fines, Transit Court, Parking, Bikeshare and Lease Revenues.

- Total Resources added \$215.1M must be allocated by funding eligibility into Programs
- All funding eligible for Operations have been allocated to Operations
  - Total increase for Metro Transit Operations is \$58.6M (\$14.0M Metro Transit specific + \$44.6M Flexible Funding Eligible)

# Transportation Infrastructure Development – List of Projects with Midyear Adjustments

- Transit Infrastructure Development and Regional Rail cashflow increases of \$741.4M within Board authorized Life of Project (LOP) budget

(\$s in MMs)

Project	FY21 Adopted	Midyear Increase	Adopted + Midyear	Activities
<b>TRANSPORTATION INFRASTRUCTURE DEVELOPMENT (TID)</b>				
<b>Transit Expansion</b>				
1 Crenshaw/LAX	\$ 73.0	\$ 15.2	\$ 88.2	<ul style="list-style-type: none"> <li>• Project is 97% complete</li> <li>• Focused on systems integration testing prior to putting it into revenue</li> </ul>
2 Regional Connector	136.0	82.8	218.8	<ul style="list-style-type: none"> <li>• Project is 71% complete; revenue service date summer/fall 2022</li> <li>• Focused on completed structural concrete and track work installation</li> </ul>
3 Westside Purple Line Section 1	170.7	144.4	315.1	<ul style="list-style-type: none"> <li>• Project is 66% complete; revenue service date in summer of 2023</li> <li>• Focus on TBM tunnel drive completion – 8 of the 12 cross passages excavated, and concrete placements occurring at station sites</li> </ul>
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6 Division 20 Portal Widening & Turnback	88.1	53.2	141.3	<ul style="list-style-type: none"> <li>• Much of adopted budget spent on mobilization costs</li> <li>• Additional funds for construction as staging area and preparatory work</li> </ul>
7 East San Fernando Valley Transit Corridor	12.8	18.1	30.9	<ul style="list-style-type: none"> <li>• EPA environmental cleared in Dec-20</li> <li>• Utility conflict investigation consisting of potholing and slot trenching</li> </ul>
8 Eastside Extension Phase 2	2.9	1.5	4.4	<ul style="list-style-type: none"> <li>• Allow for engineering and EIR work to be back on schedule</li> </ul>
9 <b>Transit Expansion Subtotal</b>	<b>\$ 809.8</b>	<b>\$ 698.5</b>	<b>\$ 1,508.3</b>	
<b>Highway</b>				
11 Soundwall Package 10	\$ 1.2	\$ 0.9	\$ 2.1	<ul style="list-style-type: none"> <li>• Caltrans expected to finish design by Q3 and Metro to lead soundwall construction</li> </ul>
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<b>REGIONAL RAIL</b>				
17 Link US	\$ 53.8	\$ 24.8	\$ 78.6	<ul style="list-style-type: none"> <li>• Right-of-way acquisitions anticipated in Q4</li> </ul>
18 <b>TID &amp; Regional Rail Total</b>	<b>\$ 889.3</b>	<b>\$ 741.4</b>	<b>\$ 1,630.7</b>	

# Metro Transit Program – Operations Proposed Allocations

- All Transit Operations-eligible funding allocated to Operations for a total of \$58.6M

(\$s in MM\$)

#	Initiative	FY21 Mid-Year Budget Adj	Description of Activity
1	Customer Experience	\$ 4.9	Pilot programs: elevator attendants, unarmed ambassadors to address homelessness, dispatching social service workers to address issues on the system, ads to increase TransitWatch use, a Better Bus website engagement tool, a new annual Customer Experience Survey, and a program that identifies customers impacted by a missed run or pass-up and offers them a free ride code for a taxi or rideshare service to get where they need to go
2	NextGen Infrastructure / Mobility on Demand	10.0	NextGen/Mobility on Demand initiatives relate to continued NextGen infrastructure studies and incorporating Mobility on Demand into Microtransit
3	Capital State of Good Repair	24.3	Capital State of Good Repair initiatives will re-establish scheduled fleet and infrastructure scheduling priorities that were delayed. Projects include new bus engine procurement, Bus vehicle delivery, rail vehicle mid-life and component overhaul programs, and Rail infrastructure improvements
4	Regional Connector Staffing	4.3	Regional Connector staffing recruitment will initiate maintenance training to gear up for the upcoming Rail Operations Date (ROD)
5	Other Operational Needs	15.1	Other Operational Needs include Bus and Rail fleet maintenance campaigns, backfilling expenses to cover Purchased Transportation revenue service hour rate increases, and additional budget to complete the build out of lactation rooms at various facilities
6	Total Initiatives	\$ 58.6	

# Equity and Race and Customer Experience – FTE Increases

## Office of Equity and Race (3 Non-Represented FTEs)

- (3) Non-Represented FTEs to staff new Equity and Race department
- Increase capacity to lead this work and improve efforts to expand access for historically and currently marginalized, underserved, and vulnerable communities, to contribute to a more inclusive and equitable Los Angeles County. Operationalize and institutionalize equity under the four pillars of the Board-adopted Equity Platform
- Metro staff developed and applied the Metro Budget Equity Assessment Tool (MBEAT) to the budgetary requests in this Board action

## Customer Experience (2 Non-Represented FTEs)

- (2) Non-Represented FTEs to staff the new Customer Experience department
- This will support the annual Customer Experience Plans required by the Board, and expand the scope to include journey mapping, building a customer-first culture across the organization, and planning for the needs of out-of-town visitors as Metro prepares to welcome people from around the world for the 2028 Olympics.



# Next Steps

- FB&A Committee on January 20, 2021
- Board Meeting on January 28, 2021
- Metro will make funds available for the planned transit and transportation programs upon Board Approval
- Metro staff will continue to monitor the financial situation which may result in returning to the Board for another amendment in FY21, if necessary
- Metro will assess the financial impact of recently approved additional stimulus package and program accordingly based on the timing of available information



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To date, sales tax revenues have not declined as much as projected in the Adopted Budget. There was a significant bounce back in the Spring quarter, largely due to the broad economic stimulus of the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act. The Federal legislation helped Metro two ways: First, directly through the transportation allocations in the law; Second, indirectly through individual and business stimulus payments and loans, which created additional sales tax receipts in Los Angeles (LA) County.

This recovery stalled over the summer. Actual sales tax receipts for the first quarter of FY21 are over budget but have stopped increasing. Looking forward, there are both positive and negative indicators for taxable sales. On the positive side, the consensus economic projection is for tepid and uneven but continued growth. The National Retail Federation projects holiday spending increased 4%-5% compared to 2019. Also, LA County's economy will receive a boost from the Supplemental stimulus package recently approved by Congress just as it did from the CARES Act (The direct transportation allocations are expected to be received in Q4 and will be programmed in the FY22 Budget).

On the negative side, the COVID-19 pandemic continues to ravage the county and efforts to combat it will have continuing economic impacts. While it is apparent a full economic recovery will take longer than originally expected, overall, we are cautiously optimistic that sales tax receipts will continue slightly above budgeted amounts, generating an additional \$282 million in sales tax revenues, or a 7.7% increase, above the FY21 Adopted Budget level.

The revenue picture is not as optimistic within Operations. The reduction in travel continues to have a negative impact on Metro's system-generated revenues which are projected to be even lower than Adopted Budget levels. Farebox revenues are only a fraction of prior year levels and have fallen much farther than ridership due to rear door boarding. The advertising contract has been temporarily modified to provide relief to the vendor by reducing their payments. ExpressLanes tolls, parking, and bikeshare revenues have all fallen due to reduced usage. These losses in operating-eligible funding sources will have to be covered by operating-eligible sales tax revenues, offsetting many of those gains. The table below shows the overall changes in terms of fund eligibility.

**Mid-Year Changes in Sales Tax and Other Resources by Funding Eligibility**

Resources (\$ in millions)	Funding Eligibility				
	Metro Transit Ops/SGR	Flex Funding Eligible for Ops/SGR/TID	Transit Expansion	Other Dedicated	Total Funding Gain/(Loss)
1 Sales Tax, TDA and STA	\$ 14.7	\$ 97.7	\$ 43.2	\$ 126.5	\$ 282.2
2 Passenger Fares	-	(38.1)	-	-	(38.1)
3 ExpressLanes, Advertising and Other Revenues*	(0.7)	(15.0)	-	(13.3)	(28.9)
Total Additional FY21 Funding	\$ 14.0	\$ 44.6	\$ 43.2	\$ 113.2	\$ 215.1
<b>Total Funding Eligible for Operations</b>	<b>\$ 58.6</b>				

\* Other Revenues include Green Fund, HOV Fines, Transit Court, Parking, Bikeshare and Lease Revenues.

NOTE: Totals may not add up because of rounding

In total, \$215 million is projected to be available for the FY21 Budget. Out of \$67 million of combined operating income declines, consisting of -\$38.1 million from Passenger Fares and -\$28.9 from other revenues, \$53 million are operating-eligible revenues, primarily Passenger Fares and the Green Fund. These losses offset some of the sales tax gains, resulting in an increase of \$58.6 million in funding eligible for Operations. Proposed allocations of these funds will be discussed later in this report, but it is important to note that all additional funding that is eligible for Operations is allocated to Operations. Gains and losses in dedicated revenue sources like Regional Rail, General Planning and Programs, Congestion Management, and Subsidies fall into those specific programs.

Every eligible transit dollar has been made available to seize opportunities in increasing operating projects to further enhance the speed and efficiency from the NextGen implementation and initiate the Customer Experience plan.

Transit Expansion, Highway, and Regional Rail Projects

Metro is leveraging the additional \$43.2 million of Transit Expansion eligible funds and net savings of \$34.3 from refinancing existing debt to advance the drawdown of approved grants in current fiscal year. Metro’s \$741.4 million cashflow increase will be funded with additional sales tax, advancement of FFGA and other grants, and debt proceeds within Board authorized Life of Project (LOP) budget. All new debt issuance will be in accordance with previously approved Board Approved policies and requires separate Board Action.

Table below depicts those projects with midyear cashflow adjustments for the remainder of FY21. These increases are within Board authorized LOP budget.

Projects with Midyear Adjustment	FY21 Adapted	Midyear Increase	Adopted + Midyear	Activities
<b>TRANSPORTATION INFRASTRUCTURE DEVELOPMENT (TID)</b>				
<b>Transit Expansion</b>				
Crenshaw/LAX	\$ 73.0	\$ 15.2	\$ 88.2	•Project is 97% complete •Focused on systems integration testing prior to putting it into revenue service
Regional Connector	136.0	82.8	218.8	•Project is 71% complete; revenue service dates summer/fall 2022 •Focused on completed structural concrete and track work installation
Westside Purple Line Section 1	170.7	144.4	315.1	•Project is 66% complete; revenue service date in summer of 2023 •Focus on TBM tunnel drive completion – 8 of the 12 cross passages excavated, and concrete placements occurring at station sites
Westside Purple Line Section 2	113.1	170.1	283.1	•Project is 39% complete; revenue service date in 2025 •Focused on final design completion; construction activities in Century City and Beverly Hills
Westside Purple Line Section 3	213.2	213.3	426.5	•Project is 16% complete; revenue service date in 2027 •Focus on third party utility relocations, continue with final design on one contract, and prepare for tunneling operation
Division 20 Portal Widening & Turnback	88.1	53.2	141.3	•Much of adopted budget spent on mobilization costs •Additional funds for construction as staging area and preparatory work finalizes
East San Fernando Valley Transit Corridor	12.8	18.1	30.9	•NEPA environmental cleared in Dec-20 •Utility conflict investigation consisting of potholing and slot trenching
Eastside Extension Phase 2	2.9	1.5	4.4	•Allow for engineering and EIR work to be back on schedule
<b>Transit Expansion Subtotal</b>	<b>\$ 809.8</b>	<b>\$ 698.5</b>	<b>\$ 1,508.3</b>	
<b>Highway</b>				
Soundwall Package 10	\$ 1.2	\$ 0.9	\$ 2.1	•Caltrans expected to finish design by Q3 and Metro to lead soundwall construction
Soundwall Package 11	11.3	12.0	23.3	•Re-design due to differing site conditions from as-built drawings •Continue with permeation grouting
SR-57/SR-60 Interchange Improvements	6.5	3.2	9.7	•Advance project through design phase using the TCEP grant
SR-91 Improvements	6.7	2.0	8.7	•Progress through environmental phase for shovel readiness.
<b>Highway Total</b>	<b>\$ 25.7</b>	<b>\$ 18.1</b>	<b>\$ 43.8</b>	
<b>REGIONAL RAIL</b>				
Link US	\$ 53.8	\$ 24.8	\$ 78.6	•Right-of-way acquisitions anticipated in Q4
<b>TID &amp; Regional Rail Total</b>	<b>\$ 889.3</b>	<b>\$ 741.4</b>	<b>\$ 1,630.7</b>	
Savings From Debt Refinancing	509.2	(34.3)	475	
<b>Total Project Adjustment in TID, Regional Rail and Debt Services</b>	<b>\$ 1,398.5</b>	<b>\$ 707.1</b>	<b>\$ 2,105.6</b>	

**NOTE: Totals may not add up because of rounding**

### Metro Transit Program Recommended Options

Applying all operating eligible funding of \$58.6 million to Bus/Rail Operations and State of Good Repair, Metro staff has recommended a list of prioritized initiatives to improve the customer experience, continue rollout of NextGen/Mobility on Demand, Capital State of Good Repair, staffing recruitment for Regional Connector, and implementation of other operational needs. Service-related criteria, as well as other criteria including Equity, Grant Funding Consideration, Project Readiness, Project Interdependency, and Safety/Reliability have been evaluated to implement the initiatives and to optimize the additional revenues.

Initiative (\$ in millions)	FY21 Mid-Year Budget Adjustment
1 Customer Experience	\$ 4.9
2 NextGen Infrastructure Study/Mobility on Demand	10.0
3 Capital State of Good Repair	24.3
4 Regional Connector Staffing	4.3
5 Other Operational Needs	15.1
<b>Total Initiatives</b>	<b>\$ 58.6</b>

NOTE: Totals may not add up because of rounding

- **Customer Experience initiatives** include real-time identification of customer impacts of pass-ups, deployment of elevator attendants at various stations, reducing homelessness on the system by 50%, flexible dispatching of various people with expertise for quick problem response, advertising campaigns to increase TransitWatch use, Better Bus engagement tool/Metro.net website overhaul, and increasing customer experience surveys
- **NextGen/Mobility on Demand initiatives** relate to continued NextGen infrastructure studies and incorporating Mobility on Demand into Microtransit
- **Capital State of Good Repair initiatives** will re-establish scheduled fleet and infrastructure scheduling priorities that were delayed. Projects include new bus engine procurement, bus vehicle delivery, rail vehicle mid-life and component overhaul programs, and rail infrastructure improvements
- **Regional Connector staffing recruitment** will initiate maintenance training to gear up for the upcoming Rail Operations Date (ROD)
- **Other Operational Needs** include Bus/ Rail fleet maintenance campaigns, backfilling expenses to cover Purchased Transportation revenue service hour increases, and additional budget to complete the build out of lactation rooms at various facilities

Five (5) Non-Represented FTEs - Equity & Race and Customer Experience

Metro believes that access to opportunity should be at the center of decision-making around public investments and services. Accordingly, led by the Office of Equity and Race, Metro continues to take steps to operationalize and institutionalize equity under the four pillars of the Board-adopted Equity Platform. The Office of Equity and Race is requesting Board approval for three (3) Non-Represented FTEs to increase capacity to lead this work and improve efforts to expand access for historically and currently marginalized, underserved, and vulnerable communities, to contribute to a more inclusive and equitable LA County.

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Additionally, Metro seeks to improve mobility in LA County by doubling the number of people who travel by modes other than single occupancy vehicles in the next ten years. In order to achieve this goal, the Customer Experience department has requested Board approval for two (2) Non-Represented FTEs to improve the customer experience across all Metro products and services to deliver customers with an outstanding, reliable, safe, and comfortable journey.

### **EQUITY ASSESSMENT**

Metro staff developed and applied the Metro Budget Equity Assessment Tool (MBEAT) to the budgetary requests in this board action to understand the potential benefits and burdens for historically and currently marginalized communities and determine how budgetary requests might support more equitable outcomes. Overall, application of the MBEAT highlighted budgetary requests with a wide range of benefits for marginalized and/or vulnerable communities, helped staff identify potential barriers or harms to address, and helped staff consider adjustments to improve access and reduce potential barriers or harms. It also highlighted a need for broader training to not only answer MBEAT questions, but to help staff think through how investment, projects, programs, and policies might cause harm or not benefit all as intended, given historic and current disparities and systemic inequities.

Please see the Mid-Year FY20-21 Budget Equity Assessment - Receive and File Report for a summary of highlights on the findings, new process and next steps.

### **DETERMINATION OF SAFETY IMPACT**

Approval of this item will not impact safety.

### **FINANCIAL IMPACT**

The FY21 Proposed Mid-Year Budget at \$6.99 billion is balanced and appropriates the resources necessary to fund them. The proposed mid-year budget demonstrates Metro's ongoing commitment to meeting its capital and operating obligations, which is essential in receiving subsidies from the state and federal governments and to administer regional transportation funding to local cities and municipal operators.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommendation supports Metro Vision 2028 Strategic Goal # 5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

### **NEXT STEPS**

Upon Board amendment of the FY21 Budget, Metro will make funds available for the planned transit and transportation programs outlined in this document.

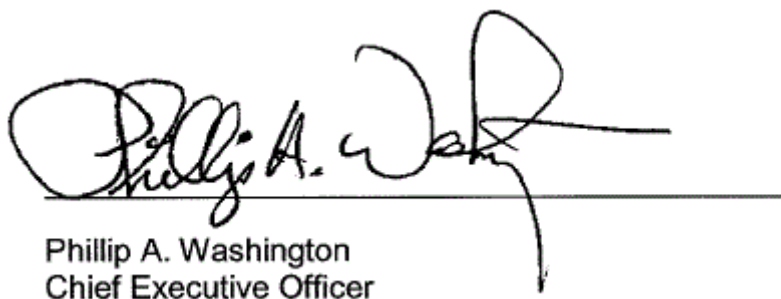
Metro staff will continue to monitor the financial situation considering the COVID-19 pandemic and

reassess resources, expenditures, and economic recovery which may result in returning to the Board for another amendment in FY21, if necessary.

With the allocation and application of the recently approved additional stimulus package yet to be determined by the federal government, Metro will assess the financial impact of the amount available for all transit agencies in the County and integrate the information into the FY22 Budget Development process.

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