Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

File #: 2018-0060, **File Type:** Informational Report **Agenda Number:** 13.

FINANCE, BUDGET AND AUDIT COMMITTEE
APRIL 11, 2018

SUBJECT: FISCAL YEAR 2018 - SECOND QUARTER YEAR-TO-DATE FINANCIAL AND PERFORMANCE REPORT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Fiscal Year 2018 (FY18) Second Quarter Year-To-Date (YTD) Financial and Performance Report.

ISSUE

This report summarizes Metro's performance for FY18 through the second quarter ending December 31, 2017, demonstrating Metro's ability to deliver safe and reliable transportation services within budget. The budgeted numbers are within the Board authorized amounts and bounded by the legally controlled fund levels.

The CEO introduced and implemented an agency wide performance management system which takes a comprehensive approach by linking four measurements of performance. The four measurements are budget/fulltime employee (FTE) variance, Key Performance Indicators (KPI) target achievement, capital project delivery and cost savings and new revenue generation through the risk allocation matrix (RAM). All measurements are linked to department priorities which in turn are related to the agency goals to deliver the most efficient and effective transportation system. Further, this performance management system will act as a tool for the agency to monitor performance, strengthen fiscal discipline and ensure accountability.

This report will first cover Metro's financial performance and will later highlight the measurements of performance which includes KPI attainment, expense budget spent and fulltime employee (FTE) variance which are correlated to the agency goals.

DISCUSSION

A. Summary of Revenues and Expenses

		YTD December 31, 2017			
	Revenues / Expenses ($ in millions)	**Budget**	**Actual**	**Variance**	**% of Budget**
1	Sales Tax and Operating Revenues	$ 2,048.7	$ 2,116.8	$ 68.1	103.3%
2	Reimbursement Revenues [1]	941.6	483.8	(457.8)	51.4%
3	Total Expenses/Expenditures [2]	2,990.3	2,602.7	387.6	87.0%
4	Revenues Over/(Under) Expenses	**$ -**	**$ (2.1)**	**$ (2.1)**	

[1] Includes federal, state and local grant, bond proceeds, Transportation Infrastructure Finance and Innovation Act (TIFIA) loan drawdown, and prior year commitment.
[2] $2.1 million underfunded condition represents a timing difference for capital projects billings that should balance by year-end.

Overall, the agency delivered $2,602.7 million worth of services which $2,116.8 million came from sales tax and operating revenues and the remaining $483.8 million from resources based on reimbursement from grant and debt financing. Sales tax and operating revenues came in higher than the budget by $68.1 million while reimbursement revenues ended short of budget by $457.8 million. Total expenses of $2,602.7 million came in under the budgeted amount of $2,990.3 million resulting in a $387.6 million variance. The net result leads to $2.1 million of expenses in excess of revenues. The $2.1 million variance represents a timing difference for capital projects billings that is expected to be balanced by year end.

B. Summary of Revenues

Overall, the second quarter total sales tax and operating revenues came in at $2,116.8 million which is $68.1 million higher than budget primarily attributed to TDA and STA revenues. Of the $68.1 million variance, $33.1 million is from sales tax and TDA revenues which are 2% higher than budget. Reimbursement revenues totaled $483.8 million or 51.4% of the $941.6 million budget, representing a variance under budget of $457.8 million.

		YTD December 31, 2017			
	Source ($ in millions)	**Budget**	**Actual**	**Over / (Under) Budget**	**% of Budget**
1	Sales Tax, TDA & STA Revenues				
2	Proposition A	$ 401.0	$ 408.0	$ 7.0	101.7%
3	Proposition C	401.0	408.0	7.0	101.7%
4	Measure R	401.0	408.0	7.0	101.7%
5	Measure M	381.0	389.6	8.6	102.3%
6	Transportation Development Act	200.5	204.0	3.5	101.7%
7	Subtotal Sales Tax & TDA Revenues	1,784.5	1,817.6	33.1	101.9%
8	State Transit Assistance Fund	30.0	58.3	28.3	194.3%
9	**Subtotal Sales Tax, TDA & STA Revenues [1]**	**$ 1,814.5**	**$ 1,875.9**	**$ 61.4**	**103.4%**
10	Operating & Other Revenues				
11	Passenger fares	$ 161.7	$ 150.5	$ (11.2)	93.1%
12	Toll Revenue	31.5	37.2	5.7	118.1%
13	Advertising	12.5	12.2	(0.3)	97.6%
14	Union Station	4.8	5.6	0.8	116.7%
15	Bike Revenue	0.7	0.4	(0.3)	57.1%
16	Parking Unit	1.2	0.4	(0.8)	33.3%
17	Low Carbon Fuel Standard Sales	-	9.8	9.8	N/A
18	Investment Income	1.0	4.8	3.8	480.0%
19	Other Income [2]	20.8	20.0	(0.8)	96.2%
20	**Subtotal Operating & Other Revenues**	**$ 234.2**	**$ 240.9**	**$ 6.7**	**102.9%**
21	**Total Sales Tax & Operating Revenues**	**$ 2,048.7**	**$ 2,116.8**	**$ 68.1**	**103.3%**
22	**Reimbursement Revenues [3]**	**$ 941.6**	**$ 483.8**	**$ (457.8)**	**51.4%**
23	**Total Revenues**	**$ 2,990.3**	**$ 2,600.6**	**$ (389.7)**	**87.0%**

[1] Actual Proposition A, Proposition C, Measure R, Measure M and TDA Revenues represent advanced amounts released by the State Board of Equalization for the first six months and estimated second quarter clean up amount which publishes on March 15, 2018. The actual for STA represents amounts released by State Controller's Office for the second quarter.

[2] Includes CNG tax credits, lease revenues, vending, and other miscellaneous revenues.

[3] Includes federal, state and local grant, bond proceeds, Transportation Infrastructure Finance and Innovation Act (TIFIA) loan drawdown, and prior year commitment.

- Sales Tax, TDA & STA Revenues

Sales Tax and TDA revenues for the second quarter of FY18 came in $33.1 million, 1.9% higher than the adopted budget. Of this surplus $8.6 million is from Measure M, which was budgeted at 95% of Proposition A, C and Measure R in its inaugural year, whereas the actual is 95.5%.

The State Transit Assistance revenue is budgeted based on the Board of Equalization's forecast of sales tax revenues on diesel fuel and actual revenues received is dependent upon actual consumption of diesel fuel combined with changes in fuel price. The information presented for the second quarter reflects actuals, which translates into $28.3 million more STA revenue than expected.

- Passenger Fare Revenue

Passenger fare revenue of $150.5 million is lower than the adopted budget by $11.2 million, primarily due to lower than expected boardings. The second quarter boardings were 8 million below the adopted budgeted boardings of 207.2 million. The boarding decline is in line with the Southern California Region. Metro Operations staffs are aware of the situation and are working to turn around the trend in future periods by improving route efficiencies and increasing security presence on the system to enhance our customer's experience and attract/retain riders.

- Toll Revenue

Metro ExpressLanes toll revenue of $37.2 million exceeded the budget by $5.7 million. The variance is the result of better than anticipated patronage of the Metro ExpressLanes. Account enrollment continues to increase with 112,328 new accounts from Q2 FY 17 to Q2 FY 18. During this time frame, ExpressLanes trip volumes increased by 4% which increased congestion on the ExpressLanes and resulted in the average toll charged increasing by 3%. State law requires the net toll revenues generated from the Metro ExpressLanes be reinvested in the corridors from which they were derived, pursuant to a board approved expenditure plan.

- Metro's bus and rail operating advertising revenue is close to forecast.
- Union Station operating revenue is higher than budget due to better parking revenue, rent holdover and tenant penalty.
- Bike share program and bike locker/hub revenue came in lower than expected due to lower than expected usage.
- The net revenue for pilot parking management program was less than expected by $0.8 million due to three factors: 1) implementation of Green Line locations will be postponed to May 2018 due to construction of tie ins connecting the Crenshaw/LAX transit project infrastructure with the Green Line; 2) The pilot parking program is currently at only selected locations, giving patrons more opportunities to drive to other nearby locations where free parking is available. It is hoped once the parking program is implemented in all locations, the revenue will be back on track; and 3) the pilot program revenue is offset by the initial

investment on equipment.

- Low Carbon Fuel Standard (LCFS) Credit Revenue

The sale of LCFS credit is based on market conditions. In the first six months of FY18, Metro executed five direct sales of LCFS credit bringing in $9.5 million of revenue (which were unplanned/unbudgeted). These unplanned sales were timed to take advantage of market conditions favorable to Metro's interests. Starting in FY18, Metro also began to realize user fee revenues of $0.3 million generated by electric vehicle chargers installed at various parking lots/transit hubs.

- Investment Income

Investment income of $4.8 million exceeded the budget by $3.8 million. The higher than anticipated invested cash balances generated this investment income. This higher than expected investment balance condition is the result of slower than expected draw-downs of invested cash to pay for capital projects, call for projects, and subsidies during the period. Metro continues to invest unused funds according to the Board approved investment policy.

- Other Income

Other income of $20.0 million came in lower than the budgeted by $0.8 million, primarily due to the timing of the lease revenue.

- Resources Based On Reimbursement

The actual reimbursements of capital expenditures from grants, debt financing and prior year balances ended the quarter-to-date below budget by $457.8 million, or 51.4% of budget. These resources are recognized on a reimbursement basis driven by actual capital expenditures. Details of the related expenses can be found in the *"Summary of Expenditures"* section of this report.

C. Summary of Expenditures

Overall, the second quarter year-to-date FY18 expenditures totaled $2,602.7 million or 87% of the $2,990.3 million budget, representing an underrun of $387.6 million or 13% below budget.

		YTD December 31, 2017			
	Program Type ($s in millions)	**Budget**	**Actual**	**Under/(Over) Budget**	**Actuals as % of Budget**
1	Transportation Infrastructure Development	$ 882.6	$ 659.4	$ 223.2	74.7%
2	Metro Transit-Operations and Maintenance	815.1	732.5	84.2	89.9%
3	Metro Transit-SGR & Other Asset Improvements	215.7	165.3	48.8	76.6%
4	Subsidy Funding Programs	623.8	518.5	105.4	83.1%
5	Regional Rail	92.9	82.5	10.4	88.8%
6	Congestion Management	44.8	29.1	15.8	64.8%
7	General Planning & Programs	54.9	34.9	20.1	63.5%
8	Debt Service	195.4	324.9	(129.5)	166.3%
9	Oversight & Admin	64.9	55.7	9.2	85.8%
10	**Total**	**$ 2,990.3**	**$ 2,602.7**	**$ 387.6**	**87.0%**

- Transportation Infrastructure Development

The Transportation Infrastructure Development program totaled $659.4 million or 74.7% of the $882.6 million budget. The main cause of the variance is a timing difference with the projects experiencing delays in billing and construction. Of the resulting $223.2 million variance, $200.7 stems from Measure R/M transit major construction projects with Westside Purple Line Extension Section 1 having delays in the initial tunnel mining operations in addition to specific station structural concrete and excavation activities; Westside Purple Line Extension Section 3 real estate costs experienced lower than anticipated acquisition costs and deferred procurement of the Advanced Utility Relocation (AUR) contract; Airport Metro Connector Construction recently completed the appraisal and valuation process and Division 20 Portal Widening project experienced invoice timing and a hold on the acquisition pay-out.

- Metro Transit - Operations and Maintenance

The Metro Transit - Operations and Maintenance Program delivered actual Revenue Service Hours (RSH) of 4.0 million hours which is only 2% below the RSH budget while spending came to 89.9% of the budget. Bus was underspent by $44.4 million or 89% of the budget spent while rail was underspent by $8.0 million or 95.9% of the budget spent. The majority of the variance is due to $33.7 million in invoice timing for contracted services. Lower than anticipated fuel and propulsion power costs resulted in $6.7 million of the variance. The remaining variance is allocated between various small accounts including parts, taxes and professional services.

- Metro Transit - State of Good Repair (SGR)

The Metro Transit - State of Good Repair Program ended the second quarter at $48.8 million under budget or 76.6% of budget spent. The variance is due to aggressive cash flow projections in Q2 for the Red Line Operating Facilities Project and construction delay for the Metro Blue Line Pedestrian Gates Project.

- Subsidy Funding Programs

Subsidy programs came in at 83.1% of the budget with an underrun of $105.4 million due to invoice delays on federal grants and delays in drawdowns of regional subsidies.

- Regional Rail

The Regional Rail program consists of subsidies to Metrolink and Metro directed capital projects and studies. Overall, Regional Rail spent $82.5 million of the $92.9 million budget of which $61.4 million is for Metrolink and the remaining $31.5 million is for Metro directed capital projects and studies. Total Metrolink expenditures exceeded their budget by $7.2 million due to a catch up of invoices during this quarter and minor MOU requirements. Metro directed regional rail expenditures came $17.6 million under budget due to the following: timing of invoices for Southern California Regional Interconnector Project (SCRIP) and Bob Hope Airport Metrolink Station, delay in property acquisition for the Rosecrans and Marquardt Grade Project, and a current hold on the Brighton to Roxford Double Track project. However, it is anticipated that the Metro directed regional rail expenditures will be balanced by year end.

- Congestion Management

The Congestion Management Program spent $29.1 million which is 64.8% of the $44.8 million budget. The shortfall of the $15.8 million includes $10.9 million attributed to invoice timing of the management (O&M) contract and from CHP in addition to a delay in the transponder shipments for ExpressLanes which may cause the expenditure to be incurred in FY19. Various congestion pricing studies and public outreach have commenced and will continue in the next quarter. $2.1 million is due to late invoicing from CHP and FSP tow service and the delay of new contract procurements for the FSP Operation Systems for Freeway Service Patrol Program. The Kenneth Hahn Call Box Program has a $1.2 million variance due to delays in procurement, invoicing from the contractor and use of advertising. The remaining $1.5 million in Rideshare Services are due to contract award delay and invoice timing. Efforts are currently underway to procure these contracts and expenses are expected in the following quarters.

- General Planning and Programs

The General Planning and Programs ended the second quarter at $34.9 million spent which is 63.5% of the $54.9 million budget. The primary cause is due to Public-Private Partnership (P3) projects undergoing delays in the issuance of invoices for financial and legal advisory services. These are expected to be issued in third quarter and expenditures are expected to be caught up by the end of the fiscal year. Invoice timing for transit planning studies and delays in bike share program expansion also contributed to the variance.

- Debt Service

The debt principal and interest expenses were $324.9 million of the $195.4 million budget which is 166.3% spent. The overrun of $129.5 million is primarily due to debt service payment for new debt that was issued in October 2017 per Board approval. The recognition of these payments as expenses in FY18 is solely due to Governmental Accounting requirements.

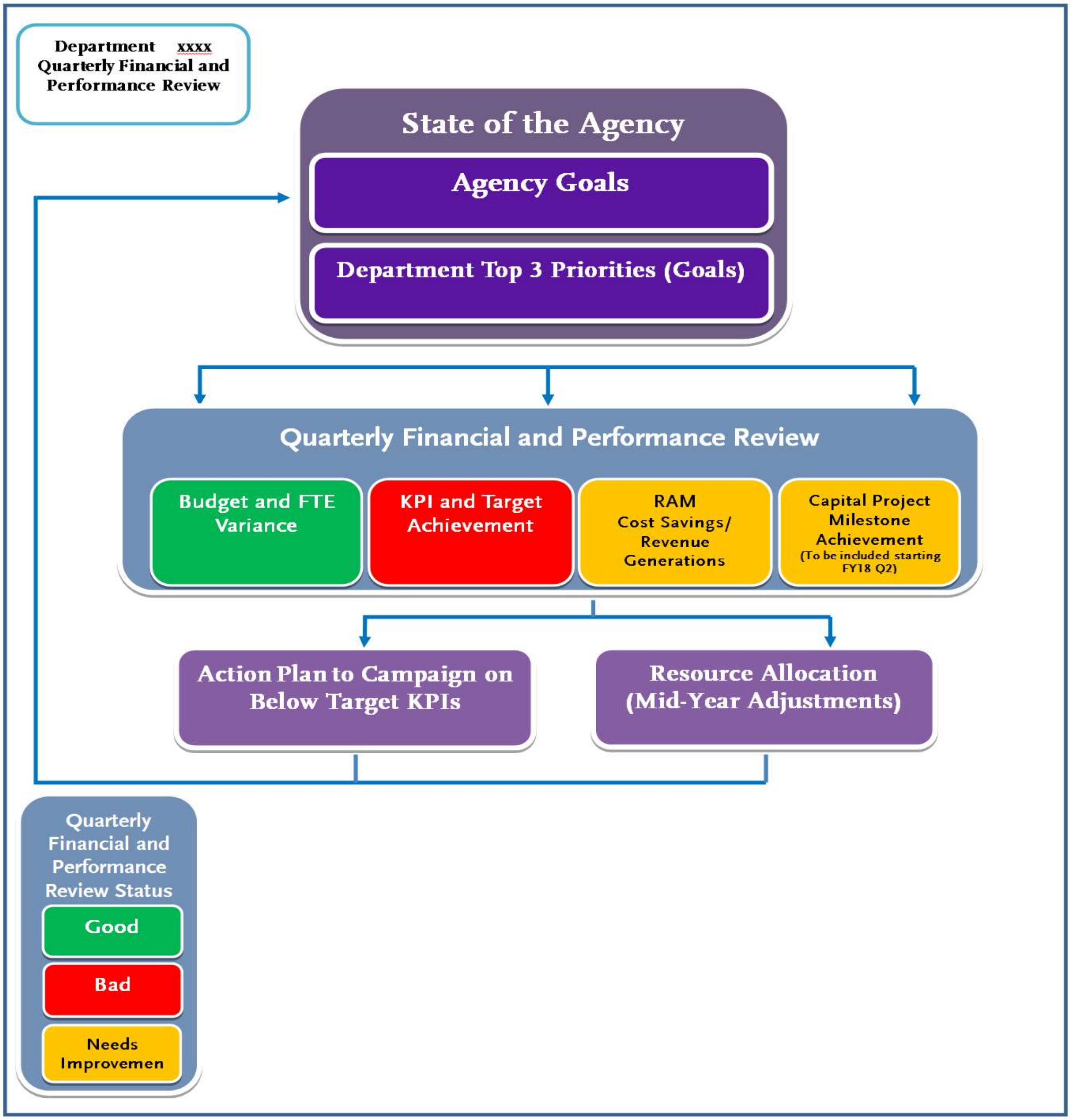
- Oversight and Administration

Oversight and Administration spent $55.6 million of the $64.9 million budget. This program consists of activities that provide legally required oversight and support for the agency such as the Office of the Inspector General (OIG), County Counsel, Audit and Government Relations as well as efforts to administer Measure R, Measure M, and other agencywide support functions.

D. <u>Performance Monitoring</u>

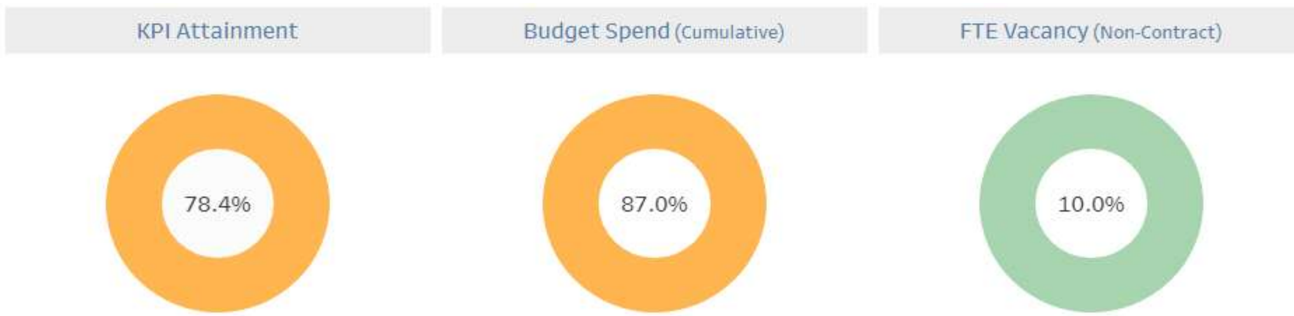
The performance management system is utilized as a tool to measure the delivery of department priorities which are linked to our agency goals. The agency uses key performance indicators which are associated with each of the agency goals across all departments to monitor performance as well as ensure fiscal accountability. These key performance indicators, financial data, and RAM initiatives/ideas are collected and analyzed on a quarterly basis. Budget variance procedures and processes are also enforced on a quarterly basis to ensure efficient allocation of resources to support our agency goals. The figure below illustrates how the performance management system is used to measure the delivery of the agency goals. (Figure 1).

Figure 1. Quarterly Performance Management Process.



The performance management system is in its introduction period and staff will continue to enhance the system to launch in FY19. As of Q2, the agency has spent $2,602.7 million dollars or 87.0% of the $2,990.3 million budget, resulting in an underrun of $387.6 million. The agency achieved 78.4% attainment of the agency goals with more than half of the department KPIs meeting their target in the second quarter. Further, the agency has a current headcount of 1,433 Non-Contract FTEs resulting in a vacancy percentage of 10%. (Figure 2).

Figure 2. Summary of KPI Attainment, Expense Budget Spend, and FTE Vacancy (Non-Contract).



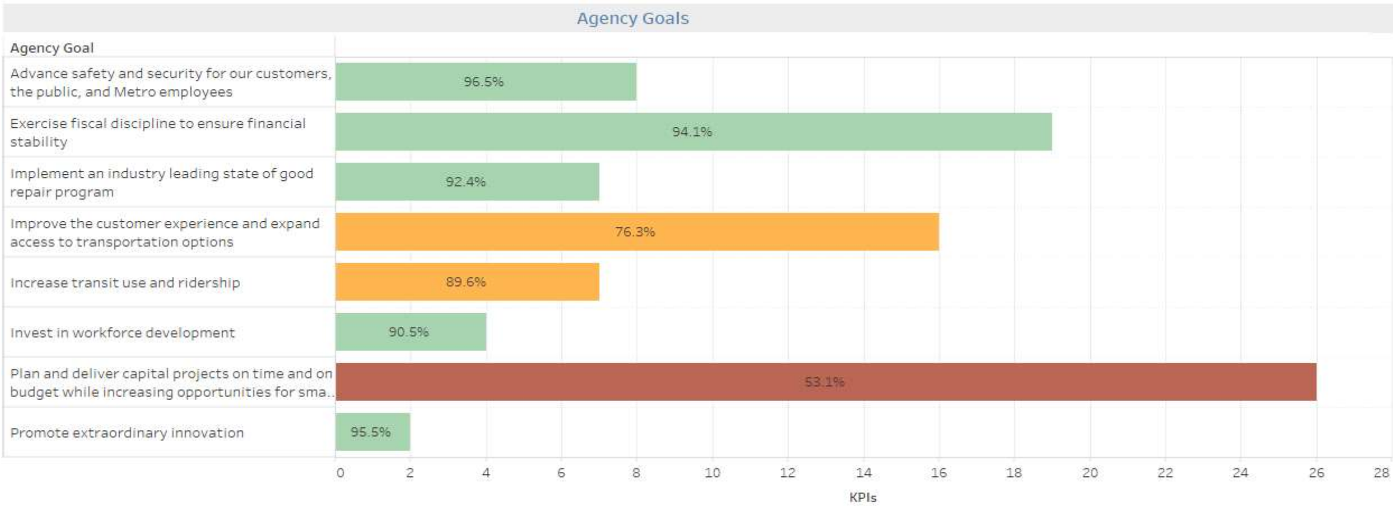
Attainment %	78.4%
Good	52
Needs Improvement	15
Bad	20
No Data	2
Total	89

Budget Exhausted %	87.0%
Budget	$2,990,273K
Actuals	$2,602,670K
Budget Remaining	$387,603K

Est. Vacancy Percentage	10.0%
Budgeted Positions	1,592
Actual Headcount	1,433
Est. Vacancies/(Double-F..	159

Figure 3 illustrates five out of the eight agency goals have at least reached a 90% attainment; of which, the goal to “advance safety and security for our customers, the public, and Metro employees” is the highest at 96.5%. Two agency goals have reached at least a 70% attainment. The agency goal to “plan and deliver capital projects on time and on budget while increasing opportunities for small business development and innovation” is at 53.1% due to major capital projects such as Airport Metro Connector Construction and Westside Purple Line Extension Section 3 whose low KPI attainment are from underspent budget primarily due to timing of real estate acquisitions previously explained in Section C under Transportation Infrastructure Development. As one of the enhancements to the system, staff will continue to refine and align KPIs to budgetary variances as we proceed in FY19.

Figure 3. Summary of Agency Goals.



NEXT STEPS

Staff will continue to monitor the financial performance of the agency throughout FY18 and will provide quarterly updates to the Board.

The performance monitoring system is in its inception and staff will look to enhance the system. In the fourth quarter, staff will be collecting department priorities for FY19 which will further refine and better align KPIs with the agency goals.

Prepared by: Jenny Wang, Principal Transportation Planner, (213) 922-7306
Parvaneh Ahmadi, Manager, Transportation Planning, (213) 922-2864

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

Phillip A. Washington
Chief Executive Officer

Fiscal Year 2018 (FY18) - Second Quarter Year to Date (Q2 YTD) Financial and Performance Report

Finance, Budget and Audit Committee

April 11, 2018

Summary of Revenues and Expenses

	Revenues / Expenses ($ in millions)	YTD December 31, 2017 Budget	Actual	Variance	% of Budget
1	Sales Tax and Operating Revenues	$ 2,048.7	$ 2,116.8	$ 68.1	103.3%
2	Reimbursement Revenues [1]	941.6	483.8	(457.8)	51.4%
3	Total Expenses/Expenditures [2]	2,990.3	2,602.7	387.6	87.0%
4	Revenues Over/(Under) Expenses	**$ -**	**$ (2.1)**	**$ (2.1)**	

[1] Includes federal, state and local grant, bond proceeds, Transportation Infrastructure Finance and Innovation Act (TIFIA) loan drawdown, and prior year commitment.

[2] $2.1 million underfunded condition represents a timing difference for capital projects billings that should balance by year-end.

Metro

Summary of Revenues

		YTD December 31, 2017			
	Source ($ in millions)	**Budget**	**Actual**	**Over / (Under) Budget**	**% of Budget**
1	Sales Tax, TDA & STA Revenues				
2	Proposition A	$ 401.0	$ 408.0	$ 7.0	101.7%
3	Proposition C	401.0	408.0	7.0	101.7%
4	Measure R	401.0	408.0	7.0	101.7%
5	Measure M	381.0	389.6	8.6	102.3%
6	Transportation Development Act	200.5	204.0	3.5	101.7%
7	Subtotal Sales Tax & TDA Revenues	1,784.5	1,817.6	33.1	101.9%
8	State Transit Assistance Fund	30.0	58.3	28.3	194.3%
9	**Subtotal Sales Tax, TDA & STA Revenues** [1]	**$ 1,814.5**	**$ 1,875.9**	**$ 61.4**	**103.4%**
10	Operating & Other Revenues				
11	Passenger fares	$ 161.7	$ 150.5	$ (11.2)	93.1%
12	Toll Revenue	31.5	37.2	5.7	118.1%
13	Advertising	12.5	12.2	(0.3)	97.6%
14	Union Station	4.8	5.6	0.8	116.7%
15	Bike Revenue	0.7	0.4	(0.3)	57.1%
16	Parking Unit	1.2	0.4	(0.8)	33.3%
17	Low Carbon Fuel Standard Sales	-	9.8	9.8	N/A
18	Investment Income	1.0	4.8	3.8	480.0%
19	Other Income [2]	20.8	20.0	(0.8)	96.2%
20	**Subtotal Operating & Other Revenues**	**$ 234.2**	**$ 240.9**	**$ 6.7**	**102.9%**
21	**Total Sales Tax & Operating Revenues**	**$ 2,048.7**	**$ 2,116.8**	**$ 68.1**	**103.3%**
22	**Reimbursement Revenues** [3]	**$ 941.6**	**$ 483.8**	**$ (457.8)**	**51.4%**
23	**Total Revenues**	**$ 2,990.3**	**$ 2,600.6**	**$ (389.7)**	**87.0%**

[1] Actual Proposition A, Proposition C, Measure R, Measure M and TDA Revenues represent advanced amounts released by the State Board of Equalization for the first six months and estimated second quarter clean up amount which publishes on March 15, 2018. The actual for STA represents amounts released by State Controller's Office for the second quarter.

[2] Includes CNG tax credits, lease revenues, vending, and other miscellaneous revenues.

[3] Includes federal, state and local grant, bond proceeds, Transportation Infrastructure Finance and Innovation Act (TIFIA) loan drawdown, and prior year commitment.

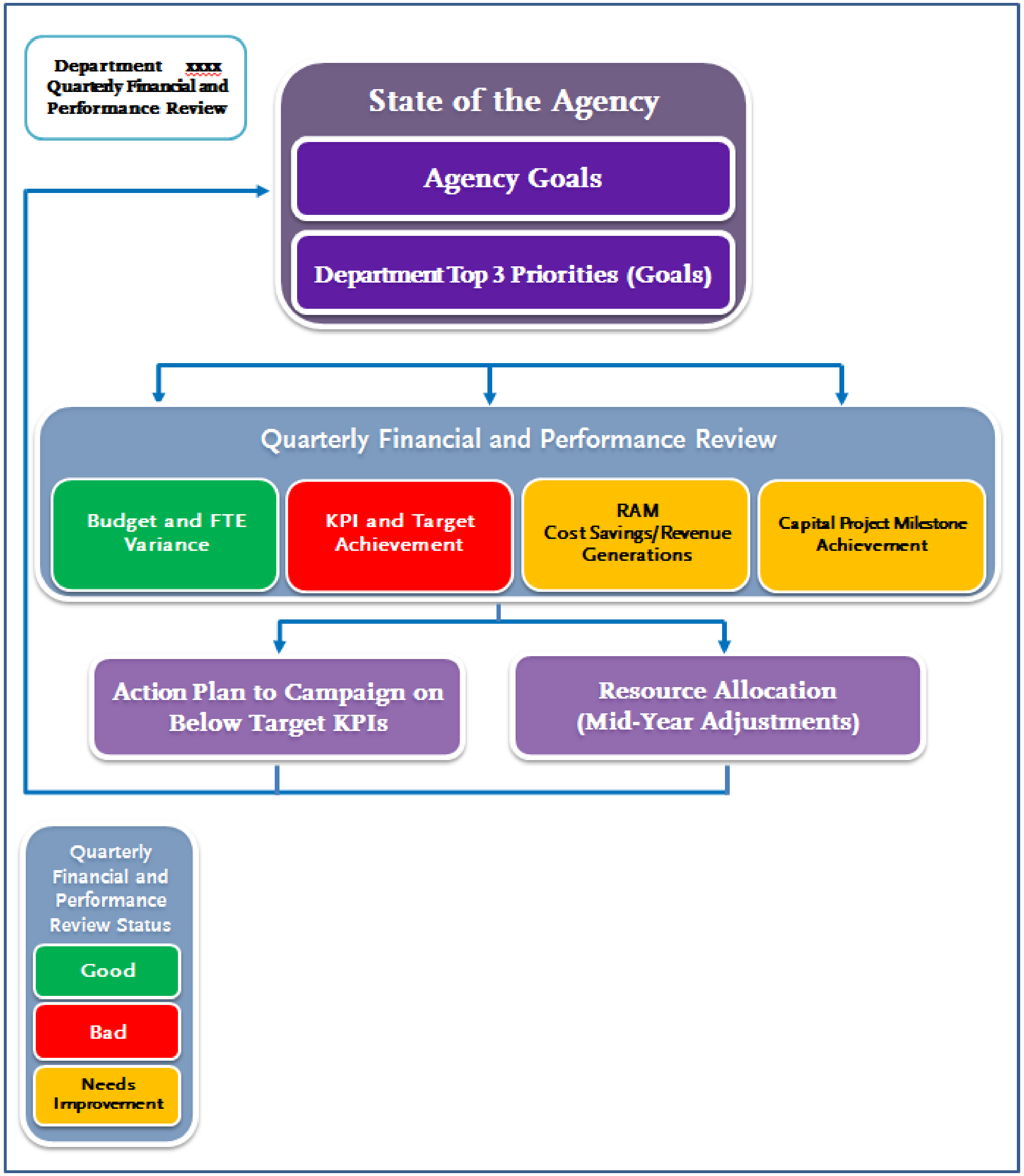
Metro

Summary of Expenses

	Program Type ($s in millions)	Budget	Actual	Under/(Over) Budget	Actuals as % of Budget
		YTD December 31, 2017			
1	Transportation Infrastructure Development	$ 882.6	$ 659.4	$ 223.2	74.7%
2	Metro Transit-Operations and Maintenance	815.1	732.5	84.2	89.9%
3	Metro Transit-SGR & Other Asset Improvements	215.7	165.3	48.8	76.6%
4	Subsidy Funding Programs	623.8	518.5	105.4	83.1%
5	Regional Rail	92.9	82.5	10.4	88.8%
6	Congestion Management	44.8	29.1	15.8	64.8%
7	General Planning & Programs	54.9	34.9	20.1	63.5%
8	Debt Service	195.4	324.9	(129.5)	166.3%
9	Oversight & Admin	64.9	55.7	9.2	85.8%
10	**Total**	**$ 2,990.3**	**$ 2,602.7**	**$ 387.6**	**87.0%**

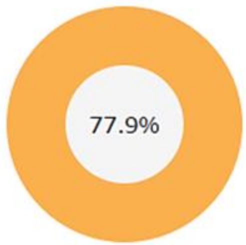
Metro

Quarterly Performance Management Process



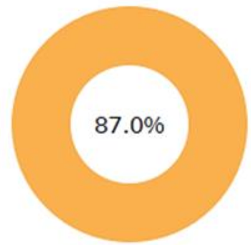
FY18 Q2 YTD Financial and Performance Review

KPI Attainment



Attainment %	77.9%
Good	54
Needs Improvement	15
Bad	18
No Data	2
Total	89

Budget Spend (Cumulative)

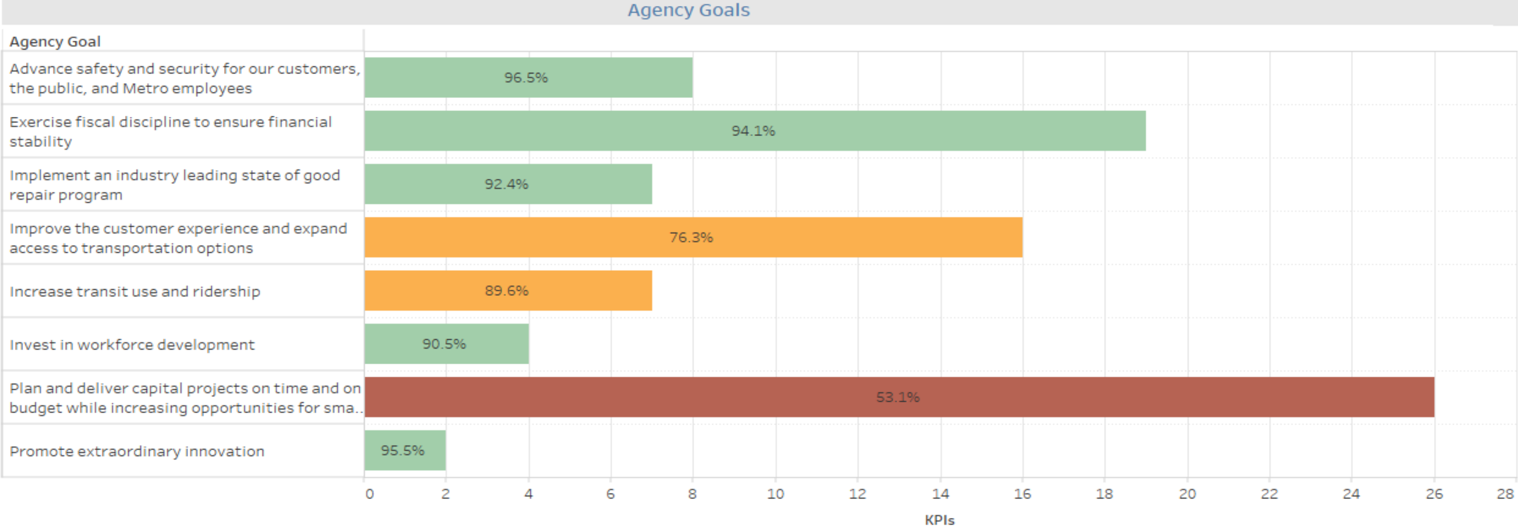


Budget Exhausted %	87.0%
Budget	$2,990,273K
Actuals	$2,602,670K
Budget Remaining	$387,603K

FTE Vacancy (Non-Contract)

Est. Vacancy Percentage	10.0%
Budgeted Positions	1,592
Actual Headcount	1,433
Est. Vacancies/(Double-Fills)	159

Agency Goals



Metro