



Metro

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

Board Report

File #: 2020-0403, **File Type:** Oral Report / Presentation

Agenda Number: 3.

**MEASURE M INDEPENDENT TAXPAYERS OVERSIGHT COMMITTEE
JULY 7, 2020**

SUBJECT: RECEIVE Oral Report on Budget

ACTION: ORAL REPORT

RECOMMENDATION

Oral Report on Budget



COVID-19 Loss and Mitigation Measure M Oversight Committee

July 2020



Metro

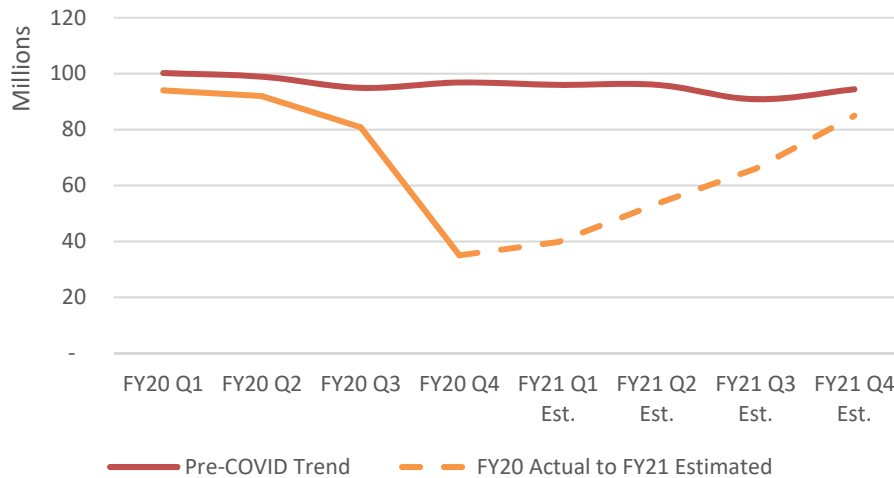


Agenda

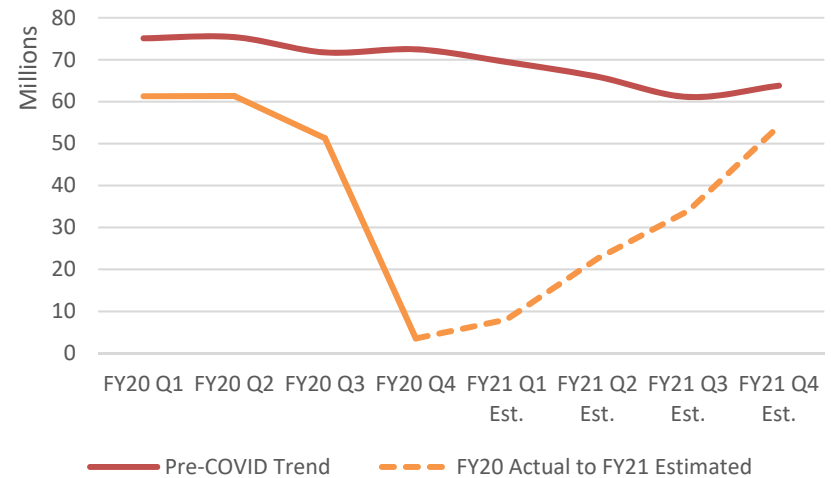
- COVID-19 Impact to Metro
 - ✓ Boarding and Fare Revenue Decline
 - ✓ Sales Tax Update
 - ✓ Revenue Loss Impact to Metro Programs
- Federal CARES Act Stimulus
 - ✓ Timeline, Eligibility, Reimbursement Process
 - ✓ Allocation of CARES Act
- Mitigation
 - ✓ COVID-19 Core Functions to Continue
 - ✓ CEO Call for Action to Reduce Expense
 - ✓ Beyond COVID-19 Strategies: Metro Mobility & Affordability Plan (Metro MAP)
- Next Step

Metro Systemwide Boarding and Fare

Quarterly Boarding



Quarterly Fare Revenues



- Since March 20th Safe-at-Home order, Metro lost 70% weekly boarding
- Fare revenue lost 95% in the last 2 weeks of March; fare per boarding has fallen from 69¢/boarding to 9¢/boarding
- Recovery is anticipated to start gradually in Q1 of FY21, and may take up to 2 years to return to pre-COVID level

Change in Key Economic Indicators

Economic Indicator	End of January Pre-COVID	Current
Unemployment Rate	● Historic Lows	● Historic Increases
Economic Output	● Moderate and Steady	● Dramatically Reduced
Wage Growth	● Modest	● Layoffs and Furloughs
Political/Geopolitical Unrest	● Trade, Coronavirus	● Global Pandemic
Interest Rate Yield Curve	● Inverted	● Mostly Flat

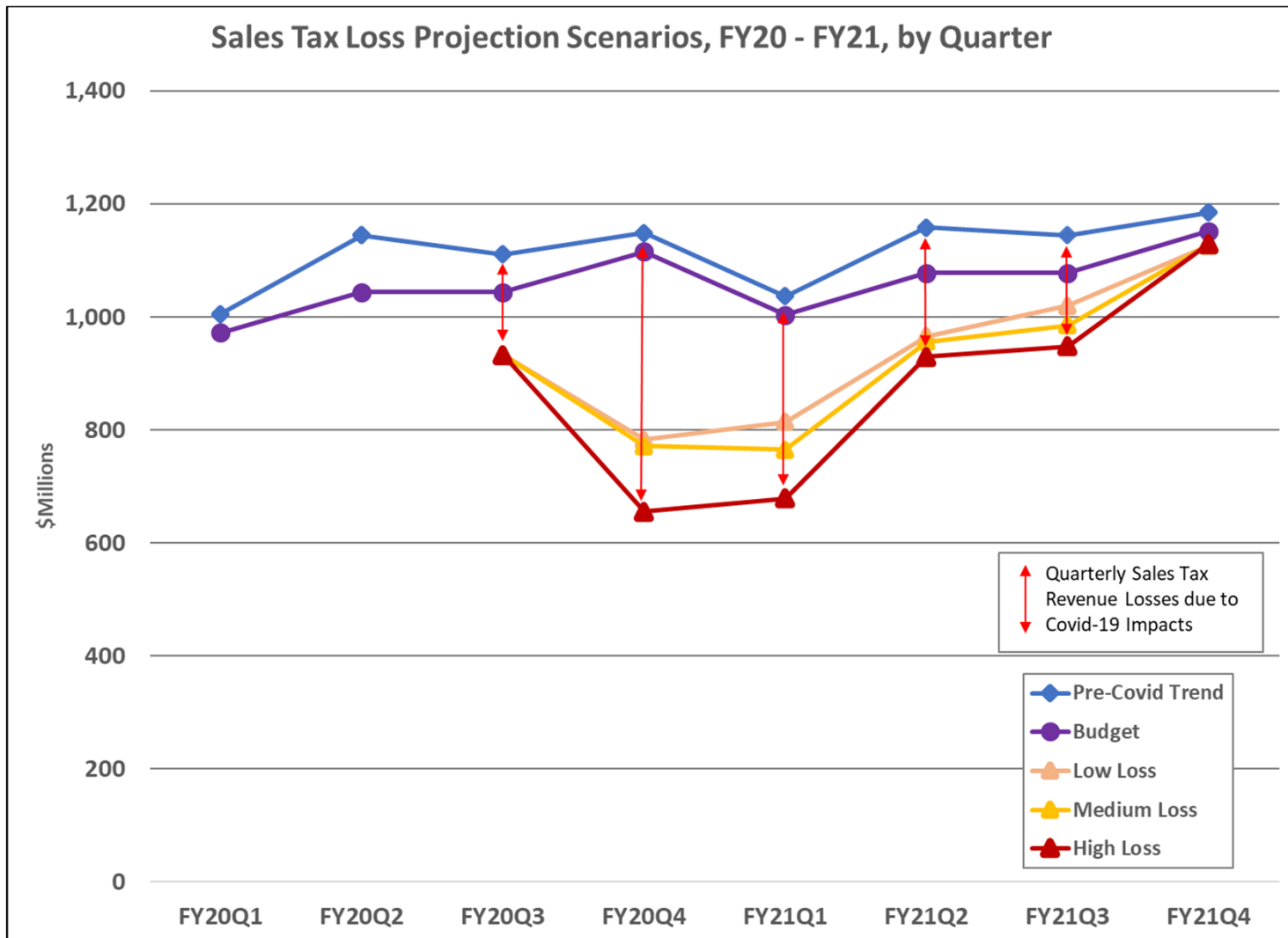
- Since the last Board Report on Metro's financial projections for FY21, the entire economic picture has turned upside down with unprecedented speed

Economic Sector Analysis

	% of total	FY20-Q3	FY20-Q4	FY21-Q1	FY21-Q2	FY21-Q3
General Retail	27.18%					
Apparel Stores	5.78%	-20%	-60%	-55%	-30%	0%
Department Stores	7.43%	-20%	-40%	-30%	-20%	10%
Furniture/Appliance	3.55%	-20%	-60%	-55%	-30%	0%
Florist/Nursery	0.33%	0%	-25%	-15%	-5%	5%
Miscellaneous Retail	8.15%	0%	-10%		0%	5%
Food Products	20.01%					
Restaurants	14.85%	-25%	-80%	-60%	-30%	0%
Liquor Stores	0.65%	-3%	-20%	-20%	-10%	0%
Food Processing, Eqp	0.57%	-5%	-30%	-20%	-20%	0%
Transportation	19.15%					
Auto Sales - New	7.91%	-15%	-60%	-55%	-40%	0%
Auto Sales - Used	1.31%	-15%	-60%	-55%	-40%	0%
Service Stations	6.86%	-15%	-40%	-25%	-10%	5%
Construction	8.35%					
Bldg, Mats-Whsle	5.11%	0%	-20%	-10%	-5%	5%
Bldg, Mats-Retail	3.24%	0%	-20%	-10%	-5%	5%
Business To Business	20.62%					
Office Equipment	3.34%	-5%	-40%	-30%	-20%	0%
Electronic Equipment	1.05%	-5%	-40%	-30%	-20%	0%
Business Services	1.74%	-5%	-40%	-30%	-20%	0%
Energy Sales	1.17%	-20%	-40%	-30%	-20%	0%
Chemical Products	0.78%	-5%	-40%	-30%	-20%	0%
Heavy Industry	3.56%	-5%	-30%	-20%	-10%	5%
Light Industry	4.37%	-5%	-40%	-30%	-20%	0%
Leasing	4.34%	0%	-30%	-20%	-10%	5%
Biotechnology	0.04%	0%	-20%	-20%	-10%	5%
I.T. Infrastructure	0.12%	0%	-20%	-20%	-10%	5%
Green Energy	0.10%	0%	-40%	-30%	-20%	0%
Miscellaneous	2.61%					
Health & Government	1.62%	0%	-20%	-20%	-10%	0%
Miscellaneous Other	0.99%	-10%	-30%	-30%	-10%	0%

- LA County taxable sales were broken down into economic sectors and percentage of revenue,
- We consulted economic forecasts and Census Bureau data to project losses by sector by quarter
- The biggest expected declines are in restaurants, followed by apparel, furniture and appliances, and auto sales and service stations
- We assumed two quarters of severe contraction and three quarters of gradual recovery

Sales Tax Losses by Quarter



Sales Tax Revenue Losses: Covid-19 Scenarios

Covid-19 Sales Tax Revenue Loss Projections Compared to FY20 Adopted Budget and FY21 Funding Marks

Estimate Including Prop A, Prop C, Meas R, Meas M, TDA, STA/SB1 STA and SB1 SGR

Six Quarters (Jan 2020 - Jun 2021)

Two Fiscal Years (FY 2020 - FY 2021)

Summary (\$Millions)		FY20 (Q3+Q4)	FY21	6-Qtr Loss	FY20	FY21	2-Yr Loss
T	Pre-Covid Revenue Trend	\$ 2,259	\$ 4,524		\$ 4,409	\$ 4,524	
B	FY20 Budget/FY21 Funding Marks	2,165	4,309		4,174	4,309	
L	Covid-19 Low Loss Revenue Estimate	1,715	3,925		3,865	3,925	
L-B	Low Loss From Budget	(450)	(383)	(833)	(309)	(383)	(692)
L-T	Low Loss From Trend	(544)	(598)	(1,142)	(544)	(598)	(1,142)
M	Covid-19 Medium Loss Revenue Estimate	1,715	3,825		3,865	3,825	
M-B	Medium Loss From Budget	(451)	(484)	(935)	(310)	(484)	(794)
M-T	Medium Loss From Trend	(544)	(699)	(1,243)	(544)	(699)	(1,243)
H	Covid-19 High Loss Revenue Estimate	1,588	3,685		3,738	3,685	
H-B	High Loss From Budget	(577)	(624)	(1,201)	(436)	(624)	(1,060)
H-T	High Loss From Trend	(671)	(839)	(1,510)	(671)	(839)	(1,510)

- The six-quarter loss shows the total loss starting in January 2020
- The two fiscal year loss is moderated by over-budget sales tax revenues in the first two quarters of FY20
- Metro sales tax revenues are projected to decline \$1.2B compared to budget and \$1.5B compared to recent trend due to Covid-19
- This represents a 20% decline over the 6 quarters, with a majority of the decreases in FY20 Q4 and FY21 Q1

Combined Revenue Losses in Covid-19 Scenarios

COVID-19 Two Year Loss to Budget (Amount in Millions) ⁽¹⁾	Sales Tax	Fare Revenue	Toll Revenue	Other System Generated Revenues ⁽²⁾	Total Preliminary Loss ⁽³⁾
High	\$ (1,060.0)	\$ (197.3)	\$ (25.0)	\$ (159.8)	\$ (1,442.1)
Medium	\$ (794.0)	\$ (147.8)	\$ (25.0)	\$ (119.7)	\$ (1,086.5)
Low	\$ (692.0)	\$ (128.8)	\$ (25.0)	\$ (104.3)	\$ (950.1)

⁽¹⁾ Revenue loss as compared to FY20 Budget and FY21 projected budget.

⁽²⁾ Other System Generated Revenues include Advertising, Parking, Bike, HOV fines, Green Fund and Carbon Credit

⁽³⁾ Total loss is a very preliminary estimate as Metro continues to review



Preliminary Impact of Revenue Loss

- Estimated gap in funding of \$1.8 Billion estimated from the combined Sales Tax, Fare Revenue, Toll Revenue and Operation Expenses
- Sales tax loss estimates assume a recovery starting by September 2020
- Continuing to monitor and may revise estimates as we receive updated information
- Additional and immediate liquidity risk is the sales tax deferral aiding small businesses per Governor's State Order on April 2nd, a \$200 million impact to Metro (Cash Flow)



LA County Apportionment \$1.068 B

CARES Act states:

“Funds to prevent, prepare for, and respond to coronavirus”

“Funds provided under this heading are available for the **operating expenses of transit agencies related to the response to a coronavirus** public health emergency as described in section 319 of the Public Health Service Act, including, beginning on January 20, 2020, **reimbursement for operating costs to maintain service and lost revenue due to the coronavirus public health emergency**, including the purchase of personal protective equipment, and paying the administrative leave of operations personnel due to reductions in service...”

CARES Allocation

**\$1.068
Billion**

“... reimbursement for operating costs to maintain service and lost revenue due to the coronavirus”

Allocate to maintain service and lost revenues

- **Maintain funding** to mitigate reduction in Countywide Sales Tax Revenues for FY20 Budget and FY21 Projected
- Allocate **supplemental funding** to mitigate additional revenue losses and increased costs related to COVID-19
- Allocate funding to address some regional needs to support countywide transit impacted by the loss in sales taxes and other revenues

Summary of CARES Allocation Amounts

Municipal Operators & Metro			
	FY20/FY21 Loss	Supplemental CARES	Total Allocations
Municipal Operators	\$ 73.9	\$ 73.9	\$ 147.9
Metro Bus	167.1	167.1	\$ 334.2
Metro Rail	126.5	126.5	\$ 252.9
Total Municipal Operators & Metro	367.5	367.5	735.0
Other Transit Operators			
Small Operators	2.8	5.0	7.8
Tier 2 Operators	1.5	3.0	4.5
Metrolink	21.4	35.0	56.4
Access Services	25.2	8.3	33.5
Total Other Transit Operators	50.9	51.4	102.3
Regional Needs to support Countywide			
Regional Facilities & Hubs	9.4		9.4
Regional TAP & Fare Subsidies	10.0		10.0
Regional Rail Infrastructure	12.1		12.1
Planning, Bike Ops & Others	61.6		61.6
Congestion Management & Commute Services	67.7		67.7
Total Regional Countywide Transit Needs	160.8	-	160.8
Direct Apportionments			
North County			45.2
Metro			24.7
Total Direct Apportionments (North County/Metro)			69.9
CARES Funding			\$ 1,068.0

Totals may not add due to rounding



Stakeholders Concurrence

Reviewed CARES allocations with stakeholders
Concurrence from our regional partners

- Municipal Operators
- Tier 2 Operators
- Small Operators
- Metrolink
- Access Services



Mitigations and Continuing Strategies

CEO Call for Action: Reduce Expenses
Metro Mobility & Affordability Plan (MAP)



CEO Call for Action: Reduce Expense

First Bucket: Work to Continue

- COVID-19 additional Expense, PPE, Cleaning
- Legally required payments
- Federal and state regulatory required activities
- Bus and Rail Operations
- Key Infrastructure Projects
- Projects under executed construction or manufacturing contract

Second Bucket: All Other Projects and Programs not specified in First Bucket are currently being evaluated with the objective of staying on Measure M Schedule

- Defer for 3-6 months

Metro MAP

COVID-19

Post-Recovery

Cost Controls

“Two Buckets”

1. Work to continue
2. All Others not in Bucket 1

- Move projects forward per previous Board approved policy and criteria
- Strengthen cost controls by reviewing scope budget prior to LOP adoption

Revenue

- Allocate and optimize Federal CARES Act funding
- Community Development Block Grants
- FEMA grants
- Prepare for potential Federal and State stimulus packages

- System-generated revenue (advertising, leasing, corporate sponsorship, station naming rights)
- Congestion Pricing
- Fare revenues
- Consider amendments to sales tax ordinances
- Secure additional grants

- **Prepare for potential recurrence of COVID-19**



Next Steps

- Continue to monitor total revenue impacts of COVID-19
- Plan for a phased recovery post COVID-19
- Partner with Los Angeles/California governments to aggressively pursue stimulus packages
- Enforce fiscally responsible cost control measures to ensure a balanced budget
- Continue stakeholder outreach
- September Board adoption of FY21 Budget

CARES Act

March 27	President signed CARES Act
April 2	FTA Apportionment Tables
April 10	LA County Apportionments
April/May	Stakeholder review of allocations
May	Metro Board approval of Federal CARES Allocations
May	SCAG Split Letter
May/June	Metro & Muni Operators submit grant applications
August/ September	Grant approval process
September/ October	Begin drawing down funds



Reimbursement

- Reimbursement for eligible expenses
 - ✓ Incurred on or after January 20, 2020
 - ✓ 100% reimbursement rate
 - ✓ Not limited to capital - operating costs also eligible
- Submit eligible expenses for reimbursement
- Follow current federal claims process
- Certain costs must be segregated (Ex. Administrative Leave)
- Continue tracking COVID-19 impacts to Metro and identify gaps
- **FEMA Funding**
 - ✓ Recommend submittal of Request For Public Assistance in May 2020
 - ✓ Special process required for funding to be available 60-90 days



Eligible Expenses

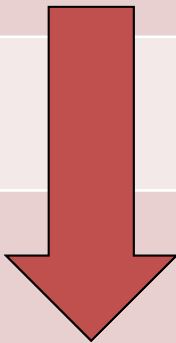
- Transit operations, capital & planning expenses eligible under 5307/5311
- Operations Costs - operate, maintain & manage a public transit system
 - ✓ Ex. Driver salaries, fuel, pension benefits, self-insurance, PPE & cleaning supplies
- Capital Costs – purchasing, leasing, constructing, maintaining, or repairing transit system facilities, rolling stock & equipment
- Administrative leave for workers due to reduced service or quarantine
 - ✓ Authorized absence without loss of pay or reduction in leave time
- Lost revenue – reimburses costs normally paid by local sources including fare revenue
- Paratransit or COVID-19 related charter service – ex. meal delivery

Revenue Loss Impact to Metro Programs

	COVID-19 Two Year Loss to Budget (Amount in Millions)	Sales Tax	Fare Revenue	Toll Revenue	Other System Generated Revenues	Total Preliminary Loss
1	Metro Bus Operating and State of Good Repair	\$ (198.8)	\$ (141.7)	\$ (0.3)	\$ (38.9)	\$ (379.7)
2	Metro Rail Operating and State of Good Repair	(194.7)	\$ (55.6)	-	(3.9)	(254.2)
3	Additional COVID Cost and Other Operating Expenses					(361.8)
4	Metro Bus and Rail Subtotal	(393.5)	(197.3)	(0.3)	(42.8)	(995.8)
5	Regional Activities					
6	Regional Facility and Hub Maintenance	(3.5)		-	(5.9)	(9.4)
7	Regional TAP and Fare Subsidies	(9.9)		-	(0.1)	(10.0)
8	Regional Rail Infrastructure	(12.1)		-	-	(12.1)
9	Planning, Bike, Parking and Others	(37.8)		-	(47.3)	(85.1)
10	Congestion Management and Commute Services	(10.1)		(24.7)	(32.9)	(67.6)
11	Subtotal Regional	(73.4)		(24.7)	(86.2)	(184.2)
12	Subtotal Metro and Regional Activities	(466.9)	(197.3)	(25.0)	(129.0)	(1,180.0)
13						
14	Regional Transit Other Agencies	(123.6)		-	-	(123.6)
15						
16	Local Return	(176.7)		-	-	(176.7)
17						
18	Infrastructure Construction, Highway, Rail and Others	(292.8)		-	(30.8)	(323.6)
19						
20	Total	\$ (1,060.0)	\$ (197.3)	\$ (25.0)	\$ (159.8)	\$ (1,803.9)

CARES Allocation

“... reimbursement for operating costs to maintain service and lost revenue due to the coronavirus”

	Maintain Funding	Supplemental Relief	Total CARES Allocations
Municipal Operators	FY20 and FY21 sales tax losses	FY20 and FY21 sales tax losses	2X Sales Tax Losses
Tier 2/Small Operators		½ of one year sales tax funding amounts	FY20 and FY21 sales tax losses + ½ one year sales tax funding amount
Other Transit Operators Metrolink / Access		Estimated loss in fare revenues	FY20 and FY21 sales tax losses + estimated fare revenue loss
Address regional needs to support countywide transit impacted by loss in sales tax		Partially maintain	



CEO Call for Action: First Bucket Defined

First Bucket: Work to Continue

- COVID-19 high priority tasks:
 - Cost incurred from COVID-19 for ensuring health and safety regarding the sanitation and hygiene of customers and employees:
 - PPE
 - Cleaning services
 - Additional expenses directly related to COVID-19
- Continue legally required payments (contractually obligated):
 - Debt service
 - Subsidies
 - License, utilities, rental, etc.
- Federal and State regulatory required activities
- Operating bus and rail service per Transit Operations Plan
 - All direct and indirect support functions to adjust proportionately to service levels



CEO Call for Action: First Bucket Defined

First Bucket: Work to Continue

- Major Infrastructure and projects under executed contract:
 - Crenshaw/LAX
 - Regional Connector
 - Purple Line Extension
 - Gold Line Foothill Extension
 - Patsaouras Bus Plaza
 - Airport Metro Connector
 - Link US (Phase 1 only)
 - I-5 North HOV (Caltrans Subsidy)
 - I-5 South HOV (Caltrans Subsidy)
 - I-10 Carpool Lanes
 - Willowbrook/Rosa Parks Station and Mezzanine
 - Division 20 Portal Widening and Turnback
 - SR 138 Corridor
 - Soundwall Package 11
 - Light Rail Vehicle Acquisition Program
 - Metro Bus Fleet Replacement (including electrification for buses and infrastructure - Orange Line only)



CEO Call for Action: Second Bucket Defined

Second Bucket: All Other Projects and Programs not specified in First Bucket are currently being evaluated with the objective of staying on Measure M Schedule

- Partially grant funded projects
- Projects in various phases and interdependent projects
- Planning projects
- Highway projects
- Regional Rail projects
- Measure M projects being accelerated
- Non-Measure M projects
- State of Good Repair projects
- Pillar project acceleration

As opportunities arise for projects in this bucket, we will move them expeditiously



Metro Mobility & Affordability Plan (MAP)

- The goal of Metro MAP is to provide a roadmap for the coming decade to deliver voter approved projects and programs, to expand and operate the system efficiently and responsibly while maintaining financial stability
- Metro MAP provides the framework and methodology to identify measures that control costs and enhance revenues
- The impacts of Covid-19 are unprecedented and force us to take extreme cost control measures to conserve resources now, with these measures being dynamically tempered as the economy recovers
- Execution of Metro MAP through the annual budget process



Budget Continuing Resolution

- **Continuing Resolution** for FY21 Budget in May 2020 Board cycle, to include the following recommendations:
 - Adopt a continuing resolution to extend FY20 budget authorization for one quarter into FY21 until September 2020 when Fiscal Year 2021 (FY21) budget is considered for Board adoption
 - Authorize CEO to execute the adopted continuing resolution through first quarter of FY21 until October 1, 2020
 - Authorize the extension of all annual Operating and Fare subsidy Memorandums of Understanding (MOUs) subject to available funds until such time as the FY21 budget is adopted



FY21 Revised Budget Development Process

Date	Action
May 2020	Adoption of Continuing Resolution
August 2020	Stakeholder Outreach
September 1, 2020	FY21 Draft Budget Publication
September 16, 2020	Public Hearing
September 24, 2020	FY21 Budget Adoption
December 2020	Midyear Budget Amendment (as needed)



Q & A