



Board Report

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Agenda Number: 10.

FINANCE, BUDGET, AND AUDIT COMMITTEE MARCH 17, 2021

SUBJECT: FISCAL YEAR 2022 BUDGET DEVELOPMENT PROCESS UPDATE

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Fiscal Year 2022 (FY22) Budget Development Process Update

ISSUE

This report is the second in a series of monthly budget development updates leading to the FY22 Budget adoption for Board consideration in May 2021. The previous month laid the framework for the annual budget development. This report focuses on the preliminary budgets developed within that framework for the Transportation Infrastructure Development (TID) and Regional Rail Programs. Included in the TID Program are the Transit Expansion and Highway projects identified in the Measure R (MR) and Measure M (MM) Ordinances. This report also provides an update on the public outreach.

DISCUSSION

The Transportation Infrastructure Development Program consists of new transit and highway projects listed in the MR and MM Ordinances. These project developments are divided into planning and construction phases, and the annual budget request reflects the annual increments of the project development phase. Starting with a feasibility study, alternatives analyses, the planning phase typically culminates in environmental clearance. Before major construction phase continues, the multiyear life-of-project (LOP) budget is adopted for each project through a separate board action. The annual budget monitors the cashflow requirement for the activities in each project phase, while considering the existing level of board authorization, respective project delivery schedule, and identified eligible and available funding sources from Federal/State/Local grants, sales taxes and financing.

For fiscal year 2022, the preliminary budget for combined TID and Regional Rail programs is \$3.1 billion, an increase of \$616.8 million or 25% from fiscal year 2021. The biggest factor for this increase can be attributed to a handful of projects moving into construction phase, the costliest phase of project delivery. As all projects in the TID program have dedicated funding streams through MR

and MM, Metro leveraged these local funding sources to secure grants and additional federal and state funds. Debt and other financing options may be considered if needed. Separate board actions are required for issuance of new debt.

The preliminary FY22 TID and Regional Rail Program is reported under three major groups:

- 1) Transit Expansion: includes Light Rail, Heavy Rail, Bus Rapid Transit Construction and early planning efforts before construction;
- 2) Highways: includes the front-end planning, preliminary engineering and project implementation support for Highway Improvement as approved in MM, MR, as well as non-MR/ MM highway related projects;
- 3) Regional Rail: includes Metro Regional Rail projects and Metrolink Operations / Capital Program funding.

FIG 1: FY21 vs. FY22 Transportation Infrastructure Development & Regional Rail

(\$ in millions)		FY21 Budget	FY22 Preliminary	Difference
1 Transit				
2	Transit Construction	\$ 1,959.5	\$ 2,308.2	\$ 348.7
3	TID Transit Planning	65.7	148.9	83.2
4	Program Support	94.7	68.4	(26.3)
5	Total Transit	\$ 2,119.9	\$ 2,525.5	\$ 405.6
6	Highway Program	264.4	479.3	214.9
7	Metro Regional Rail	115.6	111.9	(3.7)
8	Grand Total	\$ 2,499.9	\$ 3,116.7	\$ 616.8

Note: Totals may not add due to rounding.

1) Transit Expansion

Metro continues to expand LA County’s transit network, and a full slate of transformational projects are advancing in the construction and planning pipelines across multiple years. The cash flow needs for Transit Construction in FY22 is proposed at \$2.3 billion.

The Transit Planning budget of \$148.9 million encompasses the first decade and beyond of Measure R and Measure M Projects per Ordinance. These studies 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 MR and MM funds to maximize the potential for additional funding sources.

FIG 2: Transit Expansion

Project (\$ in millions)	Exp thru FY20	FY21 Budget	FY22 Preliminary	LOP Budget
1 Transit Construction				
2 D (Purple) Line Extension	\$ 3,774.4	\$ 1,199.1	\$ 1,340.9	\$ 9,455.8
3 East San Fernando Valley LRT	43.2	46.4	257.3	TBD
4 Regional Connector	1,292.0	227.6	235.5	1,817.5
5 L (Gold) Line Foothill Extension 2A & 2B	1,468.2	266.7	185.8	2,330.5
6 Airport Metro Connector	154.7	68.3	143.5	TBD
7 Crenshaw / LAX	2,152.6	129.0	128.3	2,392.5
8 G (Orange) Line BRT	16.3	20.5	12.4	TBD
9 E (Expo) Line Closeout	2,296.3	1.9	4.5	2,307.1
10 Transit Construction Sum	\$ 11,197.7	\$ 1,959.5	\$ 2,308.2	
11 TID Transit Planning				
12 Sepulveda Corridor	16.3	12.6	60.3	
13 West Santa Ana Branch Corridor	44.6	16.1	24.9	
14 C (Green) Line South Bay	10.6	8.7	18.4	
15 Crenshaw Northern	1.4	2.8	15.4	
16 Eastside Access	19.1	6.5	10.1	
17 Eastside Extension Phase 2	79.0	6.6	9.7	
18 Vermont Transit Corridor	2.3	2.7	4.3	
19 North San Fernando Valley BRT	4.6	2.5	2.4	
20 BRT Connector B (Red)/G (Orange) to L (Gold)	7.6	5.7	1.8	
21 SGV Feasibility Study	-	1.5	1.6	
22 TID Transit Planning Sum	\$ 185.5	\$ 65.7	\$ 148.9	
24 Program Control Support	-	94.7	68.4	
25 Total Transit Expansion	\$ 11,383.2	\$ 2,119.9	\$ 2,525.5	

Note: Totals may not add due to rounding.

D (Purple) Line Extension

This includes three sections of the subway extension westward from the current terminus of Wilshire / Western station, and the Division 20 Portal Widening which facilitates the headway requirements for the entire D Line, taking into account the shared trunk between Union Station and 7th/Metro. The FY22 preliminary budget of \$1.3 billion supports the continued advancement of tunneling and station construction activities along the 9.1-mile extension. Section 3, in addition to the tunneling, will continue with its final design and advanced utility relocation. The Revenue Service Dates for Sections 1, 2, and 3 are 2023, 2025, and 2027, respectively. Portal widening project will continue with its site work and systems component in Downtown LA near the Arts District.

Regional Connector

The Regional Connector FY22 preliminary budget of \$235.5 million supports station construction and tunneling activities within the 1.9-mile alignment in Downtown LA. Overall project completion is 74% with a planned Revenue Service Date in 2022 (Summer/Fall).

Crenshaw/LAX

The Crenshaw/LAX FY22 preliminary budget of \$128.3 million are for critical systems integration testing and Pre-Revenue Operational activities within the 8.5-mile alignment from Crenshaw/Expo to LAX. Overall project completion is 98% with a planned Substantial Completion Date in 2021.

L (Gold) Line Foothill Extension 2A & 2B

The Gold Line Foothill Extension preliminary budget of \$185.8 million supports improvements to Azusa Depot, final design effort, heavy construction activities beyond Azusa. A targeted Substantial Completion is planned for 2025.

Other Significant Transit Projects

The L (Orange) Line BRT Improvements FY22 preliminary budget of \$12.4 million supports right-of-way acquisitions, final design and advanced utility relocations in the San Fernando Valley.

The East San Fernando Valley LRT FY22 preliminary budget of \$257.3 million supports right-of-way acquisitions and advanced utility relocations.

The Airport Metro Connector FY22 preliminary budget of \$143.5 million supports construction activities to connect the Crenshaw/LAX LRT to LAX at Aviation and 96th street.

Planning Studies for Measure R and Measure M Transit Projects

The Planning Studies FY22 preliminary budget of \$148.9 million encompasses the first decade and beyond of MR and MM projects. This includes but is not limited to conceptual engineering, environmental clearance, and right-of-way acquisition. Some highlights include the Sepulveda Corridor project which embarks on predevelopment work to explore monorail and heavy rail concepts, and the West Santa Ana Branch Corridor project for continued Private Public Partnership developments. Completion of the planning phase of projects supports a state of readiness to advance the project into construction.

2) Highways

The Highway Program continues to grow year over year as a variety of projects enter construction phases. The Highway Program is different from the Transit Construction Program in that completed projects represent non-Metro owned capital assets despite similarities in delivery and construction phases. For most Highway projects, Metro oversees the planning and early engineering phases, then transfers 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 total Highway Program FY22 preliminary budget is \$479.5 million, representing a \$215.1 million or 81% increase from the FY21 adopted budget of \$264.4 million (Figure 3), primarily due to construction activities projected for I-5 North Capacity Enhancements, I-605 Hot Spots, and SR-57 / SR-60 Interchange Improvements.

FIG 3: Highway Program

Project (\$ in millions)	Exp thru FY20	FY21 Budget	FY22 Preliminary
1 MR/MM Projects			
2 I-5 N Capacity Enhancements from SR-14 to Kern County Line (Truck Lanes)	\$ 54.0	\$ 13.5	\$ 83.8
3 Alameda Corridor East Grade Separations Phase 2	222.6	50.1	59.0
4 SR-57/SR-60 Interchange Improvements	14.9	10.1	56.5
5 Interstate 605 corridor "Hot Spot" Interchanges	149.1	22.0	49.5
6 SR-71 Gap from I-10 to Rio Rancho Rd.	-	-	27.7
7 I-405, I-110, I-105, and SR-91 Ramp & Interchange Imprvmts (South Bay)	103.8	20.6	26.8
8 State Route 138 Capacity Enhancements	53.4	15.6	22.0
9 Countywide Soundwall Constructions	61.8	28.3	20.9
10 Highway Efficiency Program	8.6	17.5	19.8
11 I-5 Capacity Enhancement from SR-134 to SR-170	146.6	16.3	17.0
12 Interstate 5 Capacity Enhancement from I-605 to Orange County Line	104.5	15.0	17.0
13 Interstate 710 South and/or Early Action Projects	135.7	17.0	15.5
14 SR-710 N Corridor Mobility Improvements	50.8	6.9	9.0
15 I-405 Sepulveda Express Lanes	1.2	2.0	8.6
16 Highway Operational Improvements in Arroyo Verdugo subregion	43.5	7.8	8.2
17 I-105 Express Lane from I-405 to I-605	2.7	2.9	7.9
18 Highway Operational Improvements in Las Virgenes/Malibu subregion	125.5	9.8	6.7
19 I-5 Carmenita Road Interchange Improvement	16.7	-	4.5
20 High Desert Corridor (environmental)	36.8	0.6	0.4
21 North County Operational Improvements	-	1.5	0.2
22 MR/MM Projects Sum	\$ 1,332.2	\$ 257.5	\$ 461.0
23 Other			
24 Nextgen Bus Lanes	-	-	8.2
25 I-210 Barrier Replacement	11.3	2.4	5.8
26 Highway Planning & Admin	-	3.0	3.4
27 I405 Car Pool Lane	1,459.5	0.2	0.7
28 Caltrans Property Maint	9.1	1.3	0.2
29 Total Highway Program	\$ 2,812.1	\$ 264.4	\$ 479.3

Note: Totals may not add due to rounding.

The preliminary Highway budget is largely comprised of the MR/MM funded projects and includes funding for the Sub-Regional Highway Program. A semi-annual report is also provided by Metro’s Highway Department to update the Board on the status of Sub-Regional Highway Projects.

3) Regional Rail

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

Metro Regional Rail - Overview

Metro is responsible for overseeing the planning, programming and implementation of commuter rail projects in LA County that are or will be operated by other agencies such as Southern California Regional Rail Authority (Metrolink), Amtrak, California High Speed Rail Authority, and freight carriers. Metro also manages and coordinates capital improvement projects along approximately 150 miles of Metro owned and Metrolink operated railroad right-of-way.

FIG 4: Regional Rail

Project (\$ in millions)	Exp thru FY20	FY21 Budget	FY22 Preliminary
1 Metro Regional Rail			
2 Link US	\$ 76.8	\$ 79.0	\$ 74.8
3 Rosecrans & Marquardt Grade	52.6	26.5	25.3
4 Brighton To Roxford Double Track	10.1	2.7	2.7
5 High Desert Corridor Rail Service Plan	0.1	1.9	2.0
6 Doran Street Grade Separation	2.3	2.0	2.0
7 Lone Hill to CP White	2.5	0.5	0.6
8 Other Metro Regional Rail	50.6	3.0	4.5
9 Total Metro regional Rail	\$ 195.0	\$ 115.6	\$ 111.9

Note: Totals may not add due to rounding.

Metro Regional Rail - Capital Improvements

The LINK US project at Los Angeles Union Station (LAUS) will expand the overall capacity and operational efficiency of LAUS for rail operations. The FY22 budget is driven by the anticipated procurement of the Construction Manager / General Contractor (CMGC) contract and ongoing acquisition of real estate parcels. Other major activities include the start of construction for the Rosecrans/Marquardt grade crossing project (the State of California’s top priority grade crossing separation project), and final design for the Brighton to Roxford double tracking project in the east San Fernando Valley. The Regional Rail group also supports a study to assess the feasibility of high-speed rail service from Palmdale via the High Desert Corridor to the Southern California terminus of the privately-funded high-speed rail line to Las Vegas.

Metrolink Commuter Rail

At the time of this report, Metrolink is developing their FY22 operating and capital budget. An update will be included in later monthly report to the Board.

FY2022 Budget Outreach Update

The FY22 Budget Outreach process is well underway with the first of several eblasts sent at the beginning of February to over 375,000 subscribers that directed them to the Metro.net/myvoice page. As of February 26, 2021, more than 8,000 responses to the budget questionnaire and 500 comments have been received. The responses and comments provide insight into customers transportation priorities and feedback to enhance the budget decision making process and promote equity, transparency, and accountability.

Staff will continue to partner with the Marketing and Communications teams in moving forward with engagement and education of the FY22 Budget and solicit input from the customers and stakeholders via budget briefings, community meetings, the Public Hearing, and public comments from Metro’s email comment line to ensure the greatest level of awareness about the budget and engagement possible.

The legally required public budget hearing scheduled on May 19, 2021, will culminate the public

outreach process with final adoption of the FY22 budget slated for May 27, 2021. Staff will continue to provide monthly updates on the FY22 Budget Outreach activities.

FINANCIAL IMPACT

The assumptions described above are the budget planning parameters that will guide the development of the FY22 Budget. The preliminary budgets may be adjusted as more specific and updated information becomes available.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

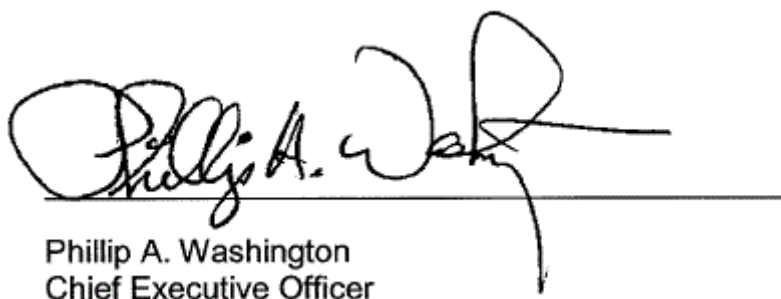
Recommendation supports the following Metro Strategic Plan Goal:
Goal # 5: Provide responsive, accountable, and trustworthy governance within the Metro Organization.

NEXT STEPS

Metro staff will continue to develop the FY22 Budget Proposal and provide monthly receive-and-file update reports until board adoption in May 2021.

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OMB TEAM

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Phillip A. Washington
Chief Executive Officer

FY22 Budget Development Update

Finance, Budget, and Audit Committee
March 17th, 2021



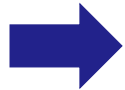
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Budget Process & Schedule Timeline

Month Topic

February FY22 Budget Development Process

- Budget Process and Schedule
- Sales Tax Forecast, Resources Assumption
- Cost Inflation Estimate
- Stakeholder Outreach Plan
- Other Expense Assumptions



March Infrastructure Planning & Construction

- Transit System: Rail, Rapid Transit
- Highway
- Regional Rail

April Transit Operations, Metro State of Good Repair (SGR)

- Metro Transit – Operations & Maintenance Expense
- Metro Transit – State of Good Repair
- Subsidy Funding
- General Planning and Other Programs

May FY22 Budget Adoption (Planned)

- Consolidated Agency-wide Expenses and FTEs Budget Proposal
- Public Hearing on May 19, 2021
- Summary of Public Comment and Stakeholder Review
- Final Board Adoption on May 27, 2021



FY22 Budget Development Process

Transportation Infrastructure & Regional Rail

FIG 1: FY21 vs. FY22 Transportation Infrastructure Development & Regional Rail

(\$ in millions)	FY21 Budget	FY22 Preliminary	Difference	% Diff
1 Transit				
2 Transit Construction	\$ 1,959.5	\$ 2,308.2	\$ 348.7	17.8%
3 TID Transit Planning	65.7	148.9	83.2	126.6%
4 Program Support	94.7	68.4	(26.3)	-27.8%
5 Total Transit	\$ 2,119.9	\$ 2,525.5	\$ 405.6	19.1%
6 Highway Program	264.4	479.3	214.9	81.3%
7 Metro Regional Rail	115.6	111.9	(3.7)	-3.2%
8 Grand Total	\$ 2,499.9	\$ 3,116.7	\$ 616.8	24.7%

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Transportation Infrastructure – Transit

FIG 2: Transit Expansion

Project (\$ in millions)	Exp thru FY20	FY21 Budget	FY22 Preliminary	LOP Budget	Subreg
1 Transit Construction					
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Transportation Infrastructure – Highways

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4 SR-57/SR-60 Interchange Improvements	14.9	10.1	56.5	sg
5 Interstate 605 corridor "Hot Spot" Interchanges	149.1	22.0	49.5	gc
6 SR-71 Gap from I-10 o Rio Rancho Rd.	-	-	27.7	sg
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8 State Route 138 Capacity Enhancements	53.4	15.6	22.0	nc
9 Countywide Soundwall Constructions	61.8	28.3	20.9	county
10 Highway Efficiency Program	8.6	17.5	19.8	sb,lvm,nc
11 I-5 Capacity Enhancement from SR-134 to SR-170	146.6	16.3	17.0	av
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25 I-210 Barrier Replacement	11.3	2.4	5.8	
26 Highway Planning & Admin	-	3.0	3.4	
27 I405 Car Pool Lane	1,459.5	0.2	0.7	
28 Caltrans Property Maint	9.1	1.3	0.2	
29 Total Highway Program	\$ 2,812.1	\$ 264.4	\$ 479.3	

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Environmental Phase PS&E Phase Construction Phase
no shading - multiple segments within project; various phases

Next Steps



- Monthly Board Status Update until Targeted May Budget Adoption
 - April: Metro Transit Operations & Maintenance and State of Good Repair (SGR) and Other Programs
 - May: FY22 Proposed Budget including agencywide FTEs
- Continuing of Stakeholder Outreach Programs started in February
 - Proposed Budget Book available May 4th
 - Public Hearing of the Proposed Budget to take place on May 19th
- Proposed Board Adoption expected on May 27th
 - Board Adoption is legally required before Fiscal Year starts
 - Metro will ensure revenue resources are available for funding by July 1st