

South Bay Cities Council of Governments

August 10, 2020

TO: SBCCOG Steering Committee – 8/10/20 meeting

FROM: Jacki Bacharach, Executive Director
Steve Lantz, Transportation Director

SUBJECT: LA. Metro FY 20-21 Budget Development Issues, Assumptions

Adherence to Strategic Plan:

Goal A: Environment, Transportation, and Economic Development. Facilitate, implement, and/or educate members and others about environmental, transportation, and economic development programs that benefit the South Bay. Strategy 5 – Actively pursue opportunities for infrastructure funding for member agencies.

Background

L. A, Metro is currently operating under a continuing resolution of its FY 19-20 budget while it revises the proposed FY 20-21 budget to reflect quickly-evolving transit service and fiscal impacts related to COVID 19. Metro expects to hold virtual public meetings and a required public hearing in September 2020 prior to adopting the budget for the remaining 9 months of the fiscal year at the September 24, 2020 Metro Board of Directors meeting.

Mayor Jim Butts, SBCCOG's Metro Board of Directors representative, thought it important for SBCCOG Board Members to be aware of the goals, issues, and assumptions that Metro staff is using in the development of the FY 20-21 budget. Exhibit 1 below is a summary prepared by Steve Lantz and Mike Bohlke of the information presented to the Metro Board Staff in a Metro staff briefing held on July 30, 2020.

RECOMMENDATION

Send to the Board of Directors for their information

Exhibit 1

To: James Butts, Mayor
From: Steve Lantz
Subject: Metro FY 20-21 Budget Development

Mike Bohlke and I participated in a Metro staff briefing on the development of the FY 20/21 budget. Recall that Metro is operating under a continuing resolution of last FY's budget from July 1 through the end of September while they develop a budget for the remaining nine months of FY 20/21 that incorporates recovery assumptions from COVID 19 impacts. Key points from the Metro OMB staff presentations:

Strategies and Objectives

- Provide high quality mobility options, outstanding trip experiences, enhance mobility and access to opportunity:
 - Maintain current workforce
 - Continue Collective Bargaining Agreements wage and benefits increases (4.5% wage increase for represented workers)
 - Turnaround will start in 3rd quarter (Jan. 2021)
- Although Metro is probably running twice the service that is currently needed, the budgeted service levels need to be flexible to incorporate ridership recovery and Next Gen Study implementation. Budget assumes overtime reductions will be sufficient to maintain current staffing levels and to provide reduced service levels and social distancing on buses and trains.
- Mid-year budget adjustment likely in Jan. 2021; recovery projected to start in Jan. 2021, budget distributed across the four quarters accordingly

Revenue Recap at June 2020

- Revenue down from \$5.8 bil. to \$4.9 bil. (-14,9%) not including Federal Stimulus funding; \$700 mil. in CARES doesn't cover \$1.8 shortfall projected over the next two years.

Preliminary FY 21 Budget Assumptions

- 10,219 FTEs, no FTE change from FY 19-20; reduced service is provided with reduced overtime to keep everyone employed; reduced fuel, parts, supplies
- Hiring freeze in budget assumes 151 unfilled vacancies = saving \$26 mil.
- 3-month deferral of merit increases for non-represented employees
- 2.3% CPI adjustment of non-labor costs, fuel up \$0.52 cents per therm
- Continue to advance capital projects to qualify for state and federal grants
 - Year over year revenue change by quarter is down 45% in first two quarters and 32% in final two quarters; ops budget drops 7% (with CARES) to 4% by year end.
 - Total expenditures down \$1.2 bil. (-17%)
 - All design/ construction capital projects remain funded at FY 20 level targeted to satisfy MR and MM Ordinance target dates (not 28 by 2028)
 - Green Line to Torrance continues in the environmental phase with a FY 20-21 budget of \$8.3 mil.

- Crenshaw North completes AA and begins the environmental phase with \$2.8 mil.
- Airport Connector gets \$80 mil, for construction
- I-105 Express Lane gets \$2.9 mil.
- I-405 Sepulveda Pass Express Lane gets \$2 mil.
- SBHP gets \$20.6 mil.; South Bay TSMIP gets \$16.2 mil.
- Metrolink gets increase of \$18 mil. in operating subsidy to \$129.2. 25% fare reduction continues. Metrolink's capital project subsidy also increases by \$18 mil to \$219.5 mil.; LINK Union Station capital project is pending CHSRA agreement which will increase budget when executed.
- Metro transit budget for Operations and Maintenance and state of good repair is only reduced 2-3% despite 19% service level reductions and ridership down 45%. Service recovery phased in. Microtransit services started. Assumed 560K weekday boardings for Q1 and Q2 then recovers slowly leading to annual during Q3 and Q4 of FY 21 for total of 208 million annual boardings in FY 20-21 vs 380 million annual boardings in FY 19-20.
- Fare per boarding will be \$0.10 for first two quarters then recover for an annual farebox recovery of \$0.25.
- Service levels for rail and bus will be flexible and will be increased in response to demand and new loading standards.
- Metro State of Good Repair (capital program): 200 new CNG buses + 23 electric buses; rail vehicle procurements reduced; mid-life rehab of vehicles, wayside and facilities increased; \$1.2 mil budgeted for WIFI to connect buses and facilities at 22 locations.

Budget related outreach is exclusively on-line including:

- Metro Operations Committee report on service levels and distribution of rider demand - August meeting
- One consolidated budget briefing for all Metro Service Councils, public - Sept. 3, 9 a. m;
- Public hearing on budget - Sept. 16th,
- Board adoption - Sept. 24th.