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**FINANCE, BUDGET AND AUDIT COMMITTEE
JUNE 19, 2013**

SUBJECT: FY 2013-14 METROLINK BUDGET AND LACMTA'S COMMUTER RAIL PROGRAM

ACTION: AMEND THE LACMTA BUDGET TO INCLUDE THE METROLINK BUDGET AND VARIOUS PROGRAMMING ACTIONS FOR FY 2013-14

RECOMMENDATIONS

- A. Amend the LACMTA Budget for FY 2013-14 to reflect the programming of funds to the Southern California Regional Rail Authority (SCRRA) FY 2013-14 Budget (Attachment A),
 - 1) \$ 52,746,000 for Metrolink Operations;
 - 2) \$ 2,094,759 for Right of Way (ROW) Security;
 - 3) \$ 4,500,000 ROTEM reimbursement, using Measure R 3% funds;
 - 4) \$ 250,000 for a Joint Development Station Project, using Measure R 3% funds;
- B. Authorize the Chief Executive Officer to add additional funding of \$2.2 million should the proposed 5% fare increase not pass;
- C. Reprogram \$1,098,159 in FY 2010-11 and FY 2011-12 Proposition C 10% prior year operating surplus funds;
- D. Reprogram \$500,000 in project savings from the Lang Siding project to the Doran Street grade crossing improvement project;
- E. Program \$16,006,500 to SCRRA for LACMTA's contribution to the renovation and rehabilitation program for FY 2013-14;
- F. Extend the lapsing date one year, from June 30, 2013 to June 30 2014, for \$4,877,284 in FY 2010-11 Proposition C 10% funds previously allocated to SCRRA for the FY 2010-11 Rehabilitation/Renovation Program;
- G. Approve for FY 2013-14, the Transfers to Other Operators payment rate of \$1.10 per boarding to LACMTA and a EZ Pass reimbursement cap to LACMTA of \$5,592,000 pending an evaluation of TAP data after the subway gates are latched in 2013;

- H. Authorize the Chief Executive Officer or his designee to amend LACMTA's Commuter Rail Program budget as described in the financial impact section of this report and to negotiate and execute all necessary agreements between LACMTA and the SCRRA for the approved funding.

ISSUE

The SCRRA Joint Powers Agreement (JPA) requires the member agencies to approve their share of Metrolink funding before the SCRRA Board adopts the budget. The SCRRA Board is scheduled to adopt the Final FY 2013-14 Budget at their June 28, 2013 Board meeting, pending LACMTA Board approval in June 2013. Additionally, LACMTA approved the FY 2013-14 Budget in May 2013. The LACMTA FY 2013-14 Budget will need to be amended to reflect the programming and budget actions recommended in this item.

POLICY IMPLICATIONS

The SCRRA FY 2013-14 Budget sets service levels, identifies rehabilitation and renovation projects, programs new capital projects, and establishes member agency shares of Operating costs and subsidy allocation commitments for Metrolink service. Approval of this funding commitment is made in accordance with the SCRRA Joint Powers Agreement and will allow SCRRA to continue Metrolink operations at the specified levels and to maintain the railroad in a reliable state of good repair.

OPTIONS

There is no alternative to the recommendations if SCRRA is to operate the recommended service levels and maintain the railroad in a state of good repair.

DETERMINATION OF SAFETY IMPACT

Approval of this item will have no impact on the safety of Metro's patrons or employees.

FINANCIAL IMPACT (assumes 5% fare increase)

LACMTA's contribution to SCRRA for the FY 2013-14 Annual Work Program is \$76,516,259. This compares to \$63,935,488 for FY 2012-13.

Component	FY 2012-13	FY 2013-14	Difference
Metrolink Operations	\$ 46,134,700	\$ 53,665,000	\$ 7,530,300
Rehabilitation/Renovation	\$ 11,612,300	\$ 16,006,500	\$ 4,394,200
Rotem/Reimbursement	\$ 4,100,000	\$ 4,500,000	\$ 400,000
ROW Security	\$ 2,088,488	\$ 2,094,759	\$ 6,271
New Capital	\$ 0	\$ 250,000	\$ 250,000
TOTAL:	\$ 63,935,488	\$ 76,516,259	\$ 12,580,771

This board item assumes a five percent increase is recommend by LACMTA and adopted by the SCRRA Board on June 28, 2013.

- Metrolink Operations
Metrolink operates 165 weekday and 76 weekend trains. With Board approval, an additional two weekday rounds trips will be added on the 91 Line and three weekend round trips will be added on the Antelope Valley Line in October 2013.
- Rehabilitation/Renovation
This is to perform routine rehabilitation to keep the railroad in a state of good repair. This includes replacement/refurbishment of rolling stock, rail, ties, ballast, special track work, bridges, signal system improvements, etc.
- ROW Security
This is to provide a separate, dedicated unit of 9.5 L.A. Sheriffs Deputies to patrol LACMTA owned right-of-way in Los Angeles County.
- New Capital
The City of Santa Clarita is planning a joint development opportunity that will relocate the Metrolink Via Princessa station.

The LACMTA Budget for FY 2013-14 was previously adopted in May 2013. Based upon preliminary budget estimates at the time, \$50,000,000 in new Proposition C 10% funds was approved for Metrolink Operations. \$52,746,000 is needed. \$2,746,000 in new Proposition C 10% funds are being added to the budget. \$2,000,000 in new Proposition C 10% funds was approved for ROW Security. \$2,094,759 is needed. \$94,759 in new Proposition C 10% funds are being added to the budget. Measure R 3% funds were not budgeted. \$4,750,000 in new Measure R 3% funds are being added for Rotem reimbursement (\$4,500,000) and new capital project (\$250,000). Funding for renovation and rehabilitation will be deferred by \$7 million. Since this program will take multiple years to complete, \$9 million will be budgeted in FY 2013-14. The cost center manager will be responsible for budgeting the remaining \$7 million in future years.

BACKGROUND

The Metrolink system provides commuter rail service within Los Angeles County and between Los Angeles County and the surrounding counties of Orange, Riverside, San Bernardino, and Ventura, as well as northern San Diego County. Ridership currently averages 44,000 boardings per day. Approximately 81% of riders have destinations within Los Angeles County with the average rider traveling 40 miles each way.

SCRRA staff transmitted the Preliminary FY 2013-14 Budget to the five member agencies on May 3, 2013. The Preliminary Budget assumes two scenarios: 1) no fare increase; and, 2) a suggested five percent fare increase. On June 14, 2013 the SCRRA Board was scheduled to make a recommendation on a fare increase. For purposes of this board action, a five percent fare increase is assumed. Should the LACMTA and/or

SCRRA Boards approve less than a 5% fare increase, up to an additional \$2.2 million will be required to bridge LACMTA's funding gap for Metrolink Operations.

The SCRRA overall FY 2013-14 Budget consists of \$210 million for operations and \$34 million for capital. Approximately 50% of the operating expenses are offset by fare box and other operating revenues. The remaining 50% of operating cost is shared by the five member agencies by formulas established by the JPA. LACMTA's share of the operations subsidy is approximately 52%.

Operating Assumptions (5% fare increase)

Item	FY 2012-13	FY 2013-14	Change
No. of Weekday Trains	165	165	- 0
Weekday Ridership	44,706	44,771	+ 765
Train Miles	2.7 million	2.8 million	+ 100,000 (est.)
Cost per Passenger Mile	\$0.39 cents	\$0.41 cents	+ \$0 .02 cents
Fare box Recovery	45.0%	44.1%	- 0.9%
Subsidy per Boarding	\$7.39	\$8.02	+ \$.63 cents

For FY 2013-14 operating expenses are projected to increase \$14 million (7 %) over FY 2012-13 levels. Much of this is attributable to the first year of implementation of Positive Train Control (PTC) with first year costs of \$8.3 million for FY 2013-14. Other major impacts to the operating budget include contractual rate increases for train and engine crews, equipment maintenance, and track and signal maintenance, plus the operational requirements for the opening of the Eastern Maintenance Facility in Colton.

METROLINK OPERATIONS BUDGET SUMMARY (\$ Millions)				
	FY 2012-13	FY 2013-14	DIFF.	CHANGE *
Expenses	\$ 196	\$ 210	\$ 14	7%
Revenues (5% fare increase)	\$ 105	\$ 109	\$ 4	4%
Member Agency Subsidy	\$ 91	\$ 101	\$ 10	11%

* Numbers may not add up due to rounding

Assuming a five percent fare increase, the member agencies will absorb \$10 million in increased member agency subsidies to SCRRA for FY 2013-14. Because LACMTA is the largest funding partner for SCRRA, LACMTA will incur the majority of the \$10 million subsidy increase. LACMTA's required contribution for FY 2013-14 Metrolink Operations will increase 15% from \$46 million to \$53 million.

Fare Increase

A 5% fare increase has been recommended by SCRRA. This is consistent with past action in which SCRRA has approved fare increases in eight of the last nine years, including 7% in June 2012. A fare increase of 5% on a \$250 average monthly pass is \$12.50 per month. Ridership loss is anticipated at 127,000 annual boardings, which is one percent (1%) of Metrolink's 12 million annual boardings.

OCTA/Rotem Rolling Stock Acquisition (\$4,500,000)

The Orange County Transportation Authority (OCTA) purchased 22 rail cars for inter-county service which were later incorporated into the system-wide fleet. Agreement was reached that OCTA is to be compensated for these system-wide cars. This is contingent upon all five counties agreeing to participate in the funding plan and payments will be made over five years for a total LACMTA commitment of \$19,928,150. LACMTA previously approved \$4,100,000 as a first year commitment for FY 2012-13. For the second year commitment, FY 2013-14 only, LACMTA will program \$4,500,000 in Measure R 3% funds. Subsequent commitments for years three through five will be taken to the LACMTA Board for the FY 2014-15 through FY 2016-17 budgets.

Right-of-Way (ROW) Security Services to Be Provided by L.A. Sheriffs (LASD) (\$2,094,759)

SCRRA contracts with LASD to provide core security and fare enforcement services on board trains and at stations. In addition, and separate from the above core services, LACMTA provides additional subsidy to SCRRA for supplemental LASD services on Metrolink ROW owned by LACMTA. The budget amount for 9.5 full time equivalents (FTEs) are funded to provide a dedicated security presence along LACMTA owned ROW, and to more quickly respond to incidents along the ROW within Los Angeles County.

Reprogram Prior Year Surplus Funds (\$1,098,159)

Prior year operating surplus funds of \$1,098,159 will be reprogrammed from the FY 2010-11 and FY 2011-12 budgets. The following items will be funded through the reprogramming of these funds.

- Additional Weekday Service on the 91 Line (\$433,000)
Staff is proposing the addition of two new weekday round trips on the 91 Line which travels between Riverside and Los Angeles Union Station. This will double the number of weekday peak hour round trips from two to four and start the increase in service anticipated as part of the Perris Valley extension. The funding is shared between Los Angeles, Orange, and Riverside counties, with LACMTA's share at approximately 34%. The service is anticipated to recover approximately 50% of its operating costs. The new service is scheduled to start in October 2013.
- Additional Sunday Service on the Antelope Valley Line (\$286,000)
Staff is proposing the addition of three new round trips on Sundays on the Antelope Valley Line. This will double service from three round trips to six and provide the same schedule that is currently operated on Saturdays. Ridership has increased 34% on Sundays compared to FY 2011-12. Metrolink weekend service on the Antelope Valley line is also considered a lifeline service as there are minimal other transit options to/from the Antelope Valley on weekends. The additional Sunday service will provide significant options to facilitate travel and improve connections and transfers at Union Station. The cost is \$286,000 for a full fiscal year and is scheduled to start in October 2013.

- FY 2013-14 Supplemental Marketing Campaign (\$200,000)
An additional \$200,000 in funding is requested for supplemental marketing efforts to promote Metrolink ridership within Los Angeles County. Specifically, \$50,000 will be utilized to promote the expanded Antelope Valley Line weekend service to specific catchment areas identified by Metrolink Market Research. The remaining balance of \$150,000 will be used for supplemental Metrolink marketing to L.A. County residences via direct mail, social media, and/or other traditional means. A targeted measureable approach will be utilized and staff will report back to the board in the future on the effectiveness of this campaign.
- FY 2013-14 Renovation and Rehabilitation Program (\$179,159)
This amount will be applied towards LACMTA's \$16,006,500 commitment to the renovation and rehabilitation program for FY 2013-14.

Via Princessa Station Relocation Project (\$250,000)

The City of Santa Clarita is working with a private company to develop a portion of Santa Clarita into mixed housing and business. As part of this development, the existing Metrolink Via Princessa station would be relocated to provide commuter rail service. This new location will be part of a new community that will provide transit oriented development and joint development.

Staff is recommending that \$250,000 of Measure R 3% funds be provided to the City of Santa Clarita to advance the engineering for that station. The City is providing an additional \$250,000 towards this joint development. Staff will work with the City to develop a Joint Development Agreement that will address right-of-way and other issues related to the project.

Reprogramming of Funds from Lang Siding to Doran Street (\$500,000)

LACMTA has been working with Metrolink and the California Public Utilities Commission (CPUC) to develop a solution for the grade crossing at Doran Street. Along with the adjacent crossing at Broadway/ Brazil, this crossing has been the subject of hearings conducted by the CPUC. A recent settlement of the issues related to the crossing requires the construction of a temporary configuration of the crossing while the grade separation is being designed and constructed. This will convert the street west of the crossing into one westbound direction, effectively increasing the safety. The funding for this interim condition is not part of previous Board actions regarding Doran Street. For this effort, staff is recommending reprogramming \$500,000 in project savings from the completed Lang Siding Project towards design and eventual construction of this interim safety project.

Extend Lapsing Date of Rehabilitation/Renovation Funds One Year

Each year LACMTA allocates funds to SCRRA for its Rehabilitation and Renovation program. This program funds repairs and improvements to track, infrastructure, and rolling stock in order to keep the railroad in a state of good repair.

For FY 2010-11, LACMTA programmed \$8 million to SCRRA for its Rehabilitation and Renovation Program. As of June 2013, SCRRA had invoiced LACMTA for \$3.1 million

in expenses. The difference, \$4.9 million, lapses June 30, 2013. The work has been substantially completed or is in progress.

Metrolink programs rehabilitation funds for multiple years. This is necessary to maximize the effectiveness of the program and take advantage of matching federal funds. In addition, several projects, such as the Tier 4 locomotive rehabilitation program, are expected to extend over several years. As a result of this, the funds programmed over multiple years may not be completely invoiced prior to lapsing.

Metrolink is moving the agency to an advanced accounting system to correct tardiness in the invoicing of completed projects. There is reason to believe that invoices for the majority of these projects have not yet been entered into their financial system and as a result, LACMTA has not been invoiced for reimbursement. Extending the lapsing date of these funds will provide SCRRA with additional time to bring all billing current.

Staff has been working closely with Metrolink to complete this invoicing and identify outstanding funds. In addition, we have been working closely with SCRRA to ensure that invoicing includes the proper backup and is appropriate. SCRRA intends to invoice LACMTA in the next six months for the work. Staff is seeking Board authority to extend the funding for one year, thru June 30, 2014, in order for SCRRA to complete invoicing.

Transfers to Other Operators Payment Rate to LACMTA

SCRRA reimburses LACMTA, through the EZ Transit Pass Program, for Metrolink riders who transfer to and from LACMTA services for free, including the rail system at Union Station. The subway gates will be latched starting summer 2013. It is anticipated that the actual number of Metrolink passengers transferring to LACMTA services will be significantly higher than currently estimated.

For FY 2013-14, staff is recommending the reimbursement rate remain at \$1.10, the same as for FY 2012-13, and that the EZ Transit Pass cap of \$5,592,000 be honored. This will maintain the current arrangement until the latching of the subway gates is completed and there is Transit Access Pass (TAP) data available to identify the actual number of passengers transferring to and from LACMTA services. In late 2013 staff will work with SCRRA to renegotiate a new EZ Transit Pass agreement for FY 2014-15.

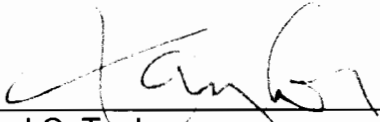
NEXT STEPS

The SCRRA Board is scheduled to adopt its Final FY 2013-14 Budget on June 28, 2013. LACMTA staff will monitor implementation of the budget and report back to the LACMTA Board with any issues requiring Board action.

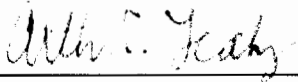
ATTACHMENTS

A. SCRRA FY 2013-14 Preliminary Budget for Metrolink

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