



**Metro**

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November 15, 2016

**TO: BOARD OF DIRECTORS**

**THROUGH: PHILLIP A. WASHINGTON** *PAW*  
**CHIEF EXECUTIVE OFFICER**

**FROM: NALINI AHUJA** *Nalini Ahuja*  
**EXECUTIVE DIRECTOR, FINANCE AND BUDGET**

**SUBJECT: FISCAL YEAR 2016 (FY16) – YEAR END BUDGET FINANCIAL PERFORMANCE**

**ISSUE**

This is the year-end financial performance update to the Board. This report summarizes Metro’s performance for FY16. Financial performance through the fourth quarter demonstrates Metro’s ability to deliver safe and reliable transportation services within budget.

**DISCUSSION**

Summary of Revenues and Expenses

From July 1, 2015 – June 30, 2016, representing all four quarters of FY16, budget-to-actual results show that Metro is under budget by \$314.8 million. The table below summarizes these results and detailed sections of these variances are found in this report.

		YTD June 30, 2016			
Revenues/ Expenses (\$ in millions)		Budget	Actual	Variance	% of Budget
1	Carryover Revenues from Prior Year	\$ 1,140.0	\$ 1,140.0	\$ -	
2	Total Current Year Revenues	4,319.1	3,975.0	(344.0)	92.0%
3	Total Expenses/Expenditures	5,459.0	4,800.2	658.8	87.9%
4	Revenue Over/(Under) Expenses	\$ -	\$ 314.8	\$ 314.8	

Note: All data in this report is based on Accounting’s preliminary FY16 yearend closing 2. The final closing will be issued by Accounting in December 2016.

## Summary of Revenues

- Sales Tax, TDA & STA Revenues

Sales Tax and TDA revenues for FY16 came in \$3.1 million higher than the adopted budget. The growth in sales taxes is close to Metro's forecasted projections, reflecting steady economic growth for the region.

State Transit Assistance (STA) revenue is dependent upon actual consumption of diesel fuel combined with changes in fuel price. The information presented below reflects actuals for the year end, which translates into much lower than expected diesel fuel usage and related revenue.

		YTD June 30, 2016			
Source (\$ in millions)		Budget	Actual	Over / (Under) Budget	% of Budget
1	<b>Sales Tax, TDA &amp; STA Revenues</b>				
2	Proposition A	\$ 763.5	\$ 763.7	\$ 0.2	100.0%
3	Proposition C	763.5	763.8	0.3	100.0%
4	Measure R	763.5	765.1	1.6	100.2%
5	Transportation Development Act	381.8	382.8	1.0	100.3%
6	Subtotal Sales Tax & TDA Revenues	2,672.3	2,675.3	3.1	100.1%
7	State Transit Assistance Fund	105.7	78.7	(27.0)	74.5%
8	<b>Subtotal Sales Tax &amp; TDA Revenues <sup>1</sup></b>	<b>\$ 2,777.9</b>	<b>\$ 2,754.0</b>	<b>\$ (23.9)</b>	<b>99.1%</b>
9	<b>Operating &amp; Other Revenues</b>				
10	Passenger fares	\$ 376.0	\$ 332.0	\$ (43.9)	88.3%
11	Toll Revenue	62.2	72.2	10.0	116.1%
12	Advertising	22.5	22.6	0.1	100.7%
13	Union Station	9.3	9.3	0.1	100.7%
14	Parking Unit	0.4	0.6	0.2	152.7%
15	Low Carbon Fuel Standard Sales	0.4	19.7	19.3	4860.8%
16	Investment Income	5.0	21.5	16.5	430.7%
17	Other Income <sup>2</sup>	45.9	52.4	6.5	114.2%
18	<b>Subtotal Operating &amp; Other Revenues</b>	<b>\$ 521.6</b>	<b>\$ 530.4</b>	<b>\$ 8.7</b>	<b>101.7%</b>
19					
20	<b>Total Sales Tax &amp; Operating Revenues</b>	<b>\$ 3,299.6</b>	<b>\$ 3,284.4</b>	<b>\$ (15.2)</b>	<b>99.5%</b>
21	<b>Capital Reimbursements</b>				
22	Federal Grants	\$ 875.0	\$ 563.0	\$ (312.0)	64.3%
23	State Sources including Prop 1B & Other	108.7	96.5	(12.1)	88.8%
24	Local Grants and contributions	35.8	31.1	(4.7)	86.8%
25	<b>Subtotal Capital Reimbursements</b>	<b>\$ 1,019.5</b>	<b>\$ 690.7</b>	<b>\$ (328.9)</b>	<b>67.7%</b>
26	<b>Total New Revenues</b>	<b>\$ 4,319.1</b>	<b>\$ 3,975.0</b>	<b>\$ (344.0)</b>	<b>92.0%</b>
27	Carryover Revenue from Prior Year	1,140.0	1,140.0	-	100.0%
28	<b>Total Revenues</b>	<b>\$ 5,459.0</b>	<b>\$ 5,115.0</b>	<b>\$ (344.0)</b>	<b>93.7%</b>

<sup>1</sup> Actual Proposition A, Proposition C, Measure R, and TDA Revenues represent amounts released by the State Board of Equalization. The actual for STA represents actual amounts released by State Controller's Office for FY16.

<sup>2</sup> Includes CNG tax credits, lease revenues, vending, and other miscellaneous revenues.

- Passenger Fare Revenue

Passenger fare revenue of \$332.0 million was under budget by \$43.9 million, primarily due to lower than expected boardings. Metro has been experiencing a decline in boardings since April 2014 which was five months prior to implementation of the new fare structure in September of 2014. This decline in boardings has been trending down for the last 28 months and is a nationwide phenomenon. The FY16 boardings was 428.9 million, or 10.8%, below the budgeted boardings of 480.8 million.

The detailed analysis of fare, boardings and related variables was presented to the Board in February 2016 via Board Box.

- Toll Revenue

Toll revenue of \$72.2 million exceeded the budget by \$10 million. Approximately \$4 million is related to violations & fines and account fees. The remaining variance of \$6 million is a result of better than anticipated ridership of the Metro ExpressLanes projects. As of June 2016, approximately 569,000 transponders have been issued representing a 34 percent increase in transponder issuance from the previous fiscal year. The number of trips taken on the ExpressLanes increased by over 4 million during the fiscal year reflecting a 12 percent increase from the prior fiscal year. State law requires the net toll revenues generated from the Metro ExpressLanes be reinvested in the corridor from which they were derived, pursuant to a board approved expenditure plan.

- Advertising, Union Station and Parking Revenue

Metro's advertising, Union Station and parking revenues are on budget based on the terms of the contracts.

- Low Carbon Fuel Standard (LCFS) Credit Revenue

The sale of LCFS credit budget is based on market condition; and only includes Southern CA Edison rebate for the Green Fund. In FY16, Metro executed four separate direct sales of LCFS credit totaling \$19.3 million revenue, which was more than our conservative budget estimate of \$0.4 million.

- Investment Income

Investment income of \$21.5 million exceeded the budget by \$16.5 million. The higher than anticipated balances are the result of slower than expected draw-downs for capital projects, call for projects, transit operations and subsidies during the period. Metro continues to invest unused funds according to the Board approved investment policy.

- Other Income

Other income of \$52.4 million exceeded the budget by \$6.5 million. Approximately \$5 million is related to federal CNG credit extension for FY16 that was not budgeted due to the legislative action taken after the FY16 budget adoption. The remaining variance of \$1.5 million is due to a combination of factors including: better than expected TAP card fees, closeout of a Philip Morris leases, film revenue, material/scrap sales, and motor vehicle fees offsetting with prior three years unrealized revenue adjustment for county buydown.

- Capital Reimbursement Revenues

Capital reimbursements are comprised of federal, state and local grant revenues which ended the reporting period below budget by \$328.9 million, or 67.7% of budget. Capital grants are recognized on a reimbursement basis driven by related capital and planning expenditure activities. Federal and State grant revenue is under budget by \$312.0 million and \$12.1 million respectfully due to less than budgeted capital expenditures. Local grants recognized \$4.7 million less revenues and related expenses than budgeted. Details of the related capital expenses can be found in the "Summary of Expenditures" section of this report.

### Summary of Expenditures

Overall, FY16 expenditures totaled \$4,800.2 million, or 87.9%, of the \$5,459.0 million YTD budget, representing an underrun of \$658.8 million. Variances are discussed below.

- Summary of Expenditures by Program

		YTD June 30, 2016			
Expenditure (\$ in millions)		Budget	Actual	Under / (Over) Budget	% of Budget
1	<u>State of Good Repair</u>				
2	Bus	\$ 201.9	\$ 177.1	\$ 24.8	87.7%
3	Rail	99.5	53.9	45.7	54.1%
4	Other	53.7	31.5	22.2	58.6%
5	Subtotal State of Good Repair	355.2	262.5	92.7	73.9%
6	Construction Expansion	1,498.1	1,253.8	244.4	83.7%
7	Metro Bus & Rail Operations	1,473.8	1,486.7	(12.8)	100.9%
8	Metro Regional and Other Operations	59.3	43.3	16.0	73.0%
9	Subsidies	1,314.3	1,156.7	157.6	88.0%
10	Planning, Highway and Other Projects	429.5	278.8	150.7	64.9%
11	Debt Service	328.7	318.5	10.2	96.9%
12	<b>Total Expenditures</b>	<b>\$ 5,459.0</b>	<b>\$ 4,800.2</b>	<b>\$ 658.8</b>	<b>87.9%</b>

- Summary of Expenditures by Department

		YTD June 30, 2016			
Expenditure (\$ in millions)		Budget	Actual	Under / (Over) Budget	% of Budget
1	Program Management				
2	Highway Project Delivery	\$ 202.9	\$ 150.5	\$ 52.3	74.2%
3	Program Control	10.6	9.0	1.6	84.7%
4	Program Management, Transit	1,467.8	1,181.7	286.1	80.5%
5	Regional Rail	128.0	107.0	21.0	83.6%
6	Subtotal Program Management	1,809.3	1,448.1	361.1	80.0%
7	Chief Executive Office				
8	Chief Executive Office	10.1	5.1	4.9	51.1%
9	Chief Policy Office	2.1	1.6	0.5	74.3%
10	Labor/Employee Relations	42.1	39.1	3.0	93.0%
11	System Security And Law Enforcement	139.7	141.2	(1.4)	101.0%
12	Risk/Safety And Asset Management	34.3	30.2	4.1	88.0%
13	Subtotal Chief Executive Office	228.3	217.2	11.1	95.1%
14	Board of Directors	43.8	35.3	8.5	80.7%
15	Communications	59.3	57.3	2.0	96.6%
16	Congestion Reduction	93.7	59.6	34.1	63.6%
17	Finance And Budget <sup>(1)</sup>	1,131.7	1,200.4	(68.7)	106.1%
18	Information Technology	54.9	56.7	(1.8)	103.2%
19	Operations	1,685.3	1,563.0	122.3	92.7%
20	Planning And Development	284.0	108.4	175.6	38.2%
21	Vendor/Contract Management	68.8	54.2	14.6	78.8%
22	<b>Total Expenditures</b>	<b>\$ 5,459.0</b>	<b>\$ 4,800.2</b>	<b>\$ 658.8</b>	<b>87.9%</b>

<sup>1</sup> Represents timing differences related to overhead and capitalized interest treatment required for GAAP reporting.

- Metro Bus and Rail Operating Expenses

Actual Metro Bus and Rail operating expenses were \$1,486.7 million for the fiscal year FY16, utilizing 100.9% of the \$1,473.8 million budget. This represents a unfavorable variance of \$12.8 million.

There were several small favorable variances for operations related to labor for Operators and Non-Contract, propulsion power and contract and professional services. This was mostly offset by some unfavorable variances for allocated overhead costs distributed based on Metro's federally approved indirect cost plan. The overhead allocation could be also timing issue since this report is based on Accounting's Preliminary Closing. The final FY16 close is scheduled for December

2016 when outside auditors complete the annual audit. Significant changes from this preliminary close will be noted in future FY17 quarterly reports.

		YTD June 30, 2016				
Expense Category (\$ in millions)	Budget	Actual	Under / (Over) Budget	% of Budget	Comments	
<b>1 Labor &amp; Fringe Benefits</b>						
<b>2 Labor by Labor Group</b>						
3 Labor - Operators (SMART)	\$ 257.0	\$ 252.6	\$ 4.5	98.3%	The favorable variance is due to a combination of factors: delayed opening of the Expo and Foothill extensions, overtime management, and less than planned paid time off.	
4 Labor - Maintenance (ATU)	166.2	169.3	(3.1)	101.9%	The unfavorable variance results from Rail Fleet Services using Overtime to perform non-capital maintenance work because of concurrent work performed on capital component overhaul programs.	
5 Labor - Clerks/Administration (TCU)	35.3	34.1	1.2	96.6%	Favorable variance was the result of the delayed opening of Foothill and Expo extensions, and providing less than planned technician and custodial support for Special Events.	
6 Labor - Supervisors (AFSCME)	62.8	68.6	(5.7)	109.2%	Greater than planned effort on bus bridges coupled with greater than planned supervisor training of Transit Operations Supervisors (TOS). Training included, but was not limited to rail expansions & certifications.	
7 Labor - Non-Contract/As-Needed	51.9	47.7	4.2	91.9%	Favorable variance resulted from NC vacancies offset by greater than planned participation in the Return to Work/Transitional Duty Program. This program results in reduced workers' compensation costs & lost work days.	
8 Labor-Security (Teamsters)	5.8	5.7	0.2	97.4%	On target.	
9 Fringe Benefits (all OPS Depts combined)	288.2	290.6	(2.5)	100.9%	the unfavorable variance in fringe benefits expenses is a direct correlation to an unfavorable variance in direct labor costs.	
<b>10 Sub-Total Labor &amp; Fringes</b>	<b>\$ 867.2</b>	<b>\$ 888.6</b>	<b>\$ (1.3)</b>	<b>100.2%</b>		
<b>11 Non-Labor Expenses</b>						
12 Fuel	\$ 25.3	\$ 25.8	\$ (0.5)	102.1%	Unfavorable variance is primarily the CNG fuel costs.	
13 Propulsion Power	36.7	31.7	5.0	86.3%	Favorable variance was the result of Foothill and Expo extensions, and lower than anticipated electric rates.	
14 Materials, Parts & Supplies	81.4	84.2	(2.8)	103.4%	Unfavorable variance attributed to greater than planned preventive maintenance parts usage coupled with initiation of an accelerated Bus CNG re-tanking project.	
15 Building & Grounds	11.4	10.9	0.5	95.4%	Expenses were closely in line with the budget.	
16 Contract & Professional Services	200.1	187.6	12.5	93.8%	Favorable variance of \$4M in Operations is primarily the result of delayed facility maintenance projects. The amount of \$8M underrun in Finance, Corporate Safety, Program Control and Board of Directors is due to three factors: (1) project delay, (2) delay in requisition, (3) services not needed as planned.	
17 Purchased Transportation	40.8	42.6	(1.8)	104.3%	The unfavorable variance was caused by the timing of a vendor payment.	
18 Utilities	15.0	19.8	(4.8)	131.9%	Unfavorable variance results from greater than anticipated electric and gas costs for Division 13 and the Gold Line and Expo Extensions.	
19 Warranties/Miscellaneous Settlements	(15.6)	(12.7)	(2.9)	81.2%	Unfavorable variance attributed to less than planned warranty recovery based on contract provision that required vendor to perform the work.	
20 Allocated Overhead	59.8	83.9	(24.1)	140.3%	Reconciliation and redistribution is part of the rolling 2 year Federally Approved Indirect Cost Plan approved by the FTA. This is only Accounting's Preliminary Closing. Final adjustment is yet to record.	
21 W/C, PLPD & Legal/Regional Chargebacks	119.0	111.6	7.4	93.8%	The favorable variance resulted from a combination of favorable renewal rates with our insurance carriers and fewer claims than anticipated.	
22 Other Expenses	32.6	32.7	(0.1)	100.1%	On budget.	
<b>23 Sub-Total Non-Labor Expenses</b>	<b>\$ 608.6</b>	<b>\$ 618.1</b>	<b>\$ (11.5)</b>	<b>101.9%</b>		
<b>24 Total OPS Bus &amp; Rail Operating Expenses</b>	<b>\$ 1,473.8</b>	<b>\$ 1,486.7</b>	<b>\$ (12.8)</b>	<b>100.9%</b>		

- Metro Regional and Other Operations

Metro Regional and Other Operations category of expenses is related to the operation of Union Station, Metro Parking Program, I-10/I-110 ExpressLanes, Transit Court, TAP and Regional Security. These expenses show spending of \$43.3 million, or 73%, of the \$59.3 million budget. The \$16 million variance is the result of billing delays with Operating and Maintenance contractors for ExpressLanes. Additionally, there were various delays in completing the design work improvements on the ExpressLanes. The underrun is offset by the less than expected Regional TAP chargeback.

YTD June 30, 2016					
Other Metro Operations (\$ in millions)	Budget	Actual	Under / (Over) Budget	% of Budget	Comments
1 Metro ExpressLanes	\$ 34.6	\$ 22.7	\$ 11.9	65.6%	Billing for O&M costs is 2-3 months behind GAAP accrual cut off date. Billing for CHP is one quarter behind. ExpressLanes improvements have taken longer than anticipated to get implemented due to changes in contractor's personnel, approvals of change notices. Caltrans has taken longer than anticipated to start their ExpressLanes improvements. Variance is reduced by mid-year budget reduction of \$7.5M.
2 Parking Program	2.8	1.8	1.0	65.4%	Supports for parking lot refurbishment project and parking contracts are delayed.
3 Transit Court	1.4	1.3	0.2	89.2%	Variance due to a reduced need for hearing officers to adjudicate citation and violations, and delay in the startup of impound hearings. Additionally, plan for opening a satellite hearing office has been moved to next fiscal year.
4 Union Station	1.3	0.9	0.4	72.2%	Variance is primarily in services account for professional services related to implementation of the fire, life, and safety project which had subsequently negotiated and incorporated into FLS capital program during Q2. Variance also due to non-occurrence of legal activities budgeted in this project.
5 Regional Activities	5.6	3.8	1.7	68.8%	Variance is due to vacancy in Communication and less labor time spent on the project.
6 Regional Tap Operations	4.5	8.2	(3.6)	180.6%	The negative variance is due to regional chargeback. The budget was erroneously put \$4M more in chargeback, and actual was erroneously recorded \$1M less. Accounting will correct the actual in the Final Closing. The negative chargeback variance is offset by positive operating variance.
7 Regional Security	9.1	4.6	4.5	50.3%	This is a Department Homeland Security (DHS) funded project for LASD Threat Interdiction Unit. Remaining funding will be reallocated to the next DHS authorized funding in FY17.
8 Total Expenditures	\$ 59.3	\$ 43.3	\$ 16.0	73.0%	

- Metro Capital/Construction

The FY16 Capital Program totaled \$1,516.3 million, or 81.8%, of the \$1,853.3 million budget. The \$337.1 million underrun is due to contract award / notice-to-proceed delays, invoice processing delays, and project schedule slips. Project underruns from large Capital, Measure R, and Construction Administration projects totaled \$244.4 million, 83.7% of the budget. The underrun in State of Good Repair (SGR) projects is \$92.7 million, 73.9% of the budget.

	Project / Category (\$ in millions)	Budget	Actual	Under/ (Over) Budget	% of Budget	Comments
1	Bus Acquisition	\$ 144.4	\$ 147.5	\$ (3.2)	102.2%	Operator barriers and video monitor retrofits on new buses account for over half of the variance. The balance is due to late delivery of zero emission buses, forcing prior expenditures to post in early FY16.
2	Bus Facilities Improvements and Maintenance	57.5	29.6	27.9	51.5%	Actuals understated by \$24.6M due to erroneous journal entry; underrun offset by expansion vehicle charges. The remaining \$3.3 million variance is attributed to contract award delays for various reasons.
3	<b>Bus Total</b>	<b>\$ 201.9</b>	<b>\$ 177.1</b>	<b>\$ 24.8</b>	<b>87.7%</b>	
4	Rail Vehicle Acquisition and Maintenance	\$ 20.5	\$ 12.7	\$ 7.7	62.2%	Approximately \$1 million is true savings from contracts, \$2 million due to delay in parts availability, and balance due to delay in work as result of bid extensions initiated by the bidders.
5	Rail Facilities Improvements and Wayside Systems	79.1	41.2	37.9	52.1%	MBL Station Rehab project delivered under budget by \$7.4 million. Schedules delays with contract award on MBL signal, track and pedestrian gate give rise to \$20.7 million unspent funds. Other schedule delays such as staff shortage, management holds, unexpected site conditions, etc. on various projects account for \$9.3 million underspending.
6	<b>Rail Total</b>	<b>\$ 99.5</b>	<b>\$ 53.9</b>	<b>\$ 45.7</b>	<b>54.1%</b>	
7	ITS / Communications	\$ 16.2	\$ 18.5	\$ (2.3)	114.4%	Some projects delivered ahead schedule, with staff focusing on select projects. This meant other projects were short staffed and delayed. In the net, this resulted in earlier milestone payment per contract, giving rise to the variance. All projects are forecasted to be within LOP.
8	Non-Revenue Vehicles and Warehouse	6.2	14.5	(8.4)	235.9%	Combination of non-revenue vehicles being delivered ahead of their schedule and other vehicles and equipment being delayed from previous fiscal year. The project manager has caught up on existing project delivery in FY16, but within LOP.
9	Regional Projects	27.4	(12.2)	39.5	-44.4%	Actuals understated by \$27.4M due to erroneous journal entries; Accounting will address before final close. For many of the projects, delays in contract awards/NTPs meant underspending in FY16. All affected projects now have contracts awarded and will proceed with installations and construction in FY17.
10	Safety and Security	4.1	10.6	(6.6)	262.1%	One-third of the variance is due to extension on DHS Funding expiration, allowing staff to complete work on Transit Passenger Information System. The balance is due to FY15 delays reported in FY16. Overall, projects are within LOP.
11	<b>Other Total</b>	<b>\$ 53.7</b>	<b>\$ 31.5</b>	<b>\$ 22.2</b>	<b>58.6%</b>	
12	<b>State of Good Repairs Projects</b>	<b>\$ 355.2</b>	<b>\$ 262.5</b>	<b>\$ 92.7</b>	<b>73.9%</b>	Accounting will adjust \$52.0M (refer to row #2 & #9) before final close. This leaves a variance of \$40.6M of which \$8.4M is true savings through project delivered under budget. The balance of underrun is due to contract award delays initiated by bidders to extend bidding period for Blue Line work.
13	Large Capital Projects & Closeout	\$ 16.0	\$ 17.0	\$ (1.0)	106.1%	Cashflow projection was slightly off for FY16. Projects remain within LOP.
14	Crenshaw LAX Transit / Southwestern Yard	408.0	313.7	94.3	76.9%	Schedule delays gives rise to this cashflow variance. Project remains within LOP.
15	Regional Connector	239.2	182.9	56.3	76.5%	Utility relocation and permit delays continued in FY16, contributing to the cashflow variance.
16	Westside Purple Line Extension Section 1	306.1	323.8	(17.7)	105.8%	The overspending in FY16 is due to higher than anticipated costs for General Requirements on the D8 contract. Project remains within LOP.
17	Westside Purple Line Extension Sections II & III	104.9	66.7	38.2	63.6%	Savings due to less than anticipated costs for preliminary engineering on Section 3 and Real Estate acquisition and utility relocation on Section 2.
18	Expo I	18.4	0.5	17.9	2.5%	Re-scoping procurement on Washington Station to bundle with MBL signal & track and bidders extending bid period has delayed contract award to FY17.
19	Expo II	208.1	135.1	73.0	64.9%	Delays in invoices. Project in closeout and scheduled for Dec-16 transfer over to Metro.
20	Foothill	59.7	90.3	(30.7)	151.4%	Overrun due to late invoices from FY15 and betterments identified and performed in FY16. Project delivered within LOP.
21	Measure R Light Rail Vehicle Procurement	123.9	109.2	14.6	88.2%	The actuals understated by \$24.6M (refer to row 2 above) through erroneous journal entry. The variance is \$10M over budget. Rails cars were slow in delivery so project manager reduced budget midstream by \$50M (\$10M more than needed). Project remains within LOP.
22	Measure R Transit Planning	13.8	14.4	(0.6)	104.7%	Longer than anticipated document reviews by the County, delays with EIS, and slower than anticipated drawdown for Foothill 2B environmental budget contributes to the underspending in this group of projects.
23	<b>Measure R &amp; Large Capital Projects</b>	<b>\$ 1,498.1</b>	<b>\$ 1,253.8</b>	<b>\$ 244.4</b>	<b>83.7%</b>	Schedule delays on various projects during FY16 resulted in underspending. Project LOPs remain on target.
24	<b>GRAND TOTAL</b>	<b>\$ 1,853.3</b>	<b>\$ 1,516.3</b>	<b>\$ 337.1</b>	<b>81.8%</b>	Project schedule slips caused budget underruns in FY16. For SGR projects, contract award didn't progress in timely manner; for Measure R transit projects site conditions, permits and document review caused much of the delay.



- Subsidies

Subsidies totaled \$1,156.7 million, or 88.0%, of the \$1,314.3 million budget. The \$157.6 million underrun is primarily due to delays in draw-down of programmed funds by non-Metro operators.

		YTD June 30, 2016				
Category (\$ in millions)	Budget	Actual	Under / (Over) Budget	% of Budget	Comments	
<b>Transit</b>						
Municipal Operators	\$ 279.1	\$ 265.9	\$ 13.2	95.3%	Delay in invoicing by the cities.	
Commuter Rail	89.4	87.9	1.5	98.3%	The negative variance of \$11M in project 410064 is due to incorrect charges that OMB and Accounting are working to reverse. Offset with positive variance of \$12.5M in project 460064 as result of new TVMs - Metrolink is reissuing RFP causing money to remain unspent.	
Access Services	85.0	89.6	(4.6)	105.4%	In FY16, Metro started to recognize the subsidies for Access riders riding on Metro system. Therefore, the expense is higher than the budget.	
Congestion Reduction	9.9	1.9	8.0	19.2%	Agreements were executed in Q3. Grantees are just beginning to draw down funds. Variance reduced by \$3M through mid-year budget reduction.	
Prop A Incentive	12.7	6.6	6.1	52.0%	Delayed municipal operator drawdowns, project delays and year end accrual reversal.	
Fare Assistance	10.5	5.9	4.6	56.2%		
Other Transit	5.4	0.6	4.8	11.1%		
<b>Transit Total</b>	<b>\$ 492.0</b>	<b>\$ 458.4</b>	<b>\$ 33.6</b>	<b>93.2%</b>		
<b>Call For Projects</b>						
Regional Surface Trans	\$ 60.8	\$ 34.1	\$ 26.7	56.0%	Grantees are not progressing at the pace anticipated. Delay in invoicing by the cities beyond GAAP accrual cut off date.	
Transportation Demand Mgmt.	5.7	0.1	5.6	2.4%		
Bus Capital Operations	6.8	1.4	5.4	19.9%		
Freeway	1.6	(26.9)	28.5	-1666.0%	Prior year accruals reversal for I-5 North and South Enhancement projects were charged against this project in FY16. Project was subsequently broken into 10 projects. Actuals are charged to individual new projects.	
Local Traffic System	14.2	9.1	5.1	64.2%	There are 35 active projects in this category. Invoices were not received in a timely manner to offset the accruals submitted for prior years. Additionally, some projects were budgeted assuming an aggressive schedule. Work is expected to be billed in the first half of FY17.	
Miscellaneous Call For Projects	3.5	1.6	1.9	45.5%	RFP delayed as only one proposal was received for Open Street Evaluation Study. Delays in billing from cities for Bikeway project.	
<b>Call For Projects Total</b>	<b>\$ 92.7</b>	<b>\$ 19.4</b>	<b>\$ 73.3</b>	<b>20.9%</b>		
<b>Population Based</b>						
Local Return	\$ 444.6	\$ 443.4	\$ 1.2	99.7%	Municipal Operators' draw down based on actual tax revenues.	
Street & Hwys	23.9	20.9	\$ 3.0	87.4%		
Pedestrians & Bikes	7.6	8.5	(0.9)	111.8%	Variance is due to cities requesting to draw down prior years' TDA 3 reserves.	
<b>Population Total</b>	<b>\$ 476.0</b>	<b>\$ 472.7</b>	<b>\$ 3.3</b>	<b>99.3%</b>		
<b>Federally Funded</b>						
Regional Grantee-FTA	\$ 12.7	\$ 4.0	\$ 8.7	31.5%	Federally funded pass through projects. Variance due to delays by sub-grantees.	
Gap Closure Project	7.0	0.9	6.1	12.9%		
Seniors & Disabilities (S5310)	5.0	0.0	5.0	0.0%		
Jarc Program Captl & Ops	6.1	1.6	4.5	26.2%		
Very Small Wilshire Bus Lane	7.5	3.9	3.6	52.0%		
Miscellaneous Federally Funded Projects	5.3	2.0	3.3	37.7%		
<b>Federally Funded Total</b>	<b>\$ 43.6</b>	<b>\$ 12.4</b>	<b>\$ 31.2</b>	<b>28.4%</b>		
<b>MR</b>						
Highway Capital (20%)	\$ 149.1	\$ 141.0	\$ 8.1	94.6%	See details in separate Measure R schedule attached.	
Transit Capital - New Rail (35%)	9.2	4.5	4.7	48.8%		
Transit Capital - Metro Rail CP (2%)	4.3	1.9	2.4	43.9%		
Measure R Transit Capital - Metrolink (3%)	1.0	0.2	0.8	19.2%		
Operations - Bus (20%)	46.4	46.0	0.3	99.3%		
<b>MR Total</b>	<b>\$ 210.0</b>	<b>\$ 193.6</b>	<b>\$ 16.4</b>	<b>92.2%</b>		
State Pass Through	\$ -	\$ 0.2	\$ (0.2)	N/A	prior year insignificant amount.	
<b>Total Miscellaneous</b>	<b>\$ -</b>	<b>\$ 0.2</b>	<b>\$ (0.2)</b>	<b>N/A</b>		
<b>Total Subsidies</b>	<b>\$1,314.3</b>	<b>\$ 1,156.7</b>	<b>\$ 157.6</b>	<b>88.0%</b>		

- Planning, Highway and Other Project Expenses

Planning, Highway and Other Project expenses totaled \$278.8 million, or 64.9%, of the \$429.5 million budget. The variance is primarily due to the underrun of Measure R Planning Projects and prior year over accrual/unallocated overhead.

YTD June 30, 2016					
Project/Category (\$ in million)	Budget	Actual	Under / (Over) Budget	% of Budget	Comments
1 Congestion Management	\$ 54.9	\$ 42.7	\$ 12.2	77.8%	Majority of the variance is related to the Freeway Service Patrol (FSP) Project, Kenneth Hahn Call Box Program and Ridershare Program. FSP's budget variance is due to 1) lower invoice payments as a result of service reductions implemented to reduce program costs. 2) contingency funds not utilized in a number of contracts. 3) delay in the procurement of a vendor to replace the FSP communication system. The Kenneth Hahn Call Box Program's variance is due to 1) hold back funds on current 511 advertising and service modification, focus more on the development of the new system. 2) delay in the award of the NextGen 511 contracts. Ridershare Program's variance is due to delay in web application development. Also the Caltrans I-110 PSR/PAED is delayed.
2 General Planning and Programming	27.2	22.0	5.2	80.8%	Budget variance is primarily in Planning and Program Management. Expenses are under budget in: federal lobbying on an "as needed" basis; consultant to assist in Cap and Trade; support for LRTP; Countywide programming database and several other databases; and Ad hoc budget.
3 Governmental & Oversight Activities	36.8	29.4	7.3	80.0%	Variance is due to less labor cost and works spent on Planning project by Legal, OIG and Civil Rights Departments. There are some vacancies in these projects. The variance is also due to savings as result of legal settlement rather than trial.
4 Highway Planning Projects	140.1	138.7	1.4	99.0%	Highway department reorganized through several management changes, while current use and future needs were reassessed, resulting in delays in procurement of consultant services.
5 Measure R Programs	105.4	49.7	55.7	47.1%	Refer to the table under "Measure R Expenses" section of this report for variance explanations.
6 Property Management & Development	23.1	18.2	4.9	79.0%	Variances due to: 1) Facility has reduced the service contract that supports non-Metro parking lots due to the increase in prevailing wage cost. 2) Legal fees has not been utilized in FY16.
7 Regional Transit Planning Projects	17.1	12.4	4.6	72.8%	Metro Bus Stop Usability Study did not start as planned by Operations. Contract award for Rosa Park Station design was delayed and will spend in FY17.
8 Regional Activities and Others	1.9	(44.9)	46.8	-2391.8%	The overhead will reconcile and be allocated as part of the normal rolling two year Federal Cost Plan Approval Process. The positive variance is offset with negative variance in Operations OH.
9 Active Transportation Policy/Sustainability Projects	16.9	9.4	7.6	55.3%	Majority of the variance is related to Bicycle Program, Substability Environment and Energy Conservative Initiative. Variance is due to project award and billing delays. Work on the Metro Gold Line Wayside Energy Storage System (WESS) was delayed due to technical issues with the flywheels.
10 Other Planning Programs and Studies	6.2	1.2	4.9	19.7%	Many small misc projects and pass through projects.
11 Total Planning, Highway & Other	\$ 429.5	\$ 278.8	\$ 150.7	64.9%	

- Debt Service Expenses

Debt principal and interest expenses were \$318.5 million, or 96.9%, of the \$328.7 million budget. The favorable variance is due to interest expense and amortization cost savings on Prop A bond refunding activity, lower than expected interest rate of commercial paper, and Measure R short-term credit facilities issued in 2<sup>nd</sup> quarter, resulting savings from interest expense and services fees.

## Measure R Expenses

Measure R projects ended the fiscal year with \$1,808.4 million spent, or 82.4% of the \$2,195.4 million budget. The following table provides a consolidated view of the Measure R expense activities. The expense data presented below is also integrated in the "Summary of Expenditures" section previously presented in other sections of this report.

		YTD June 30, 2016				Variance Explanation
Measure R Fund (\$ in millions)	Budget	Actual	Under / (Over) Budget	% of Budget		
1 Administration (1.5%)						
2 Admin-Measure R	\$ 15.0	\$ 9.2	\$ 5.8	61.6%	Orange Line study and Ad Hoc study have not started as planned. Highway Program's departmental reorganization under new management delayed procurement of consultant contracts, resulting in budget underruns.	
3 Administration (1.5%) Total	\$ 15.0	\$ 9.2	\$ 5.8	61.6%		
4 Debt Service						
5 Debt Service- Measure R	\$ 59.1	\$ 52.6	\$ 6.5	89.0%	Timing issue. MR revolving credit facilities were issued in November 2015. Positive variance resulted from no interest payment for the months prior to the issuance of the facilities.	
6 Debt Service Total	\$ 59.1	\$ 52.6	\$ 6.5	89.0%		
7 Highway Capital (20%)						
8 I-5 North	\$ 27.1	\$ 38.0	\$ (10.9)	140.2%	Prior year accruals reversal for I-5 North and South Enhancement projects were charged against project 410001-Freeway in Subsidy Report in FY16. Project is subsequently broken into 10 projects. Actuals are charged in individual new projects. Positive variance in project 410001 offsets all spinoff projects' negative variances. Additionally, Caltrans was trying to catch up with old invoices from current and prior Fiscal Years.	
9 I-5 South 605 To OC	20.7	30.6	(10.0)	148.2%		
10 Highway Operating Improvements Virgenes/Malibu	23.4	27.9	(4.5)	119.1%		
12 I-5 South	15.4	7.9	7.5	51.2%	I-5 South Segment 5 was delayed due to utility relocation and right of way issues. I-5 South Carmenita experienced invoices being rejected due to missing documentation. Reduced \$1M FY16 budget through mid-year budget adjustment.	
11 Countywide Soundwall Projects	15.5	1.7	13.8	10.8%	Three packages were substantially completed in FY16, rising \$10M variance. Agreements, design reviews and acceptance by Caltrans took longer than anticipated on 3 packages. This delay contributes to \$3.5M variance.	
13 I-405, I-110, I-105, SR91 Ramp & Interchange	19.0	9.4	9.6	49.5%	This program has 29 active projects in various phases of planning, design, construction and are locally led. The jurisdiction have encountered delays because of Caltrans coordination, political changes on city councils, or loss of staff. Staff has had one on one meetings with every jurisdiction to emphasize the need to deliver their commitments.	
14 I-605 Corridor "Hot Spots"	11.8	4.4	7.4	37.4%	Subsidies to Others (19 Projects): Most projects did not spend the funds budgeted. Metro will work with the grantee agencies to make sure billings/invoices to Metro are caught up and we will assist them in working through any schedule delays.	
15 I-710 South Early Action Projects	22.8	16.6	6.2	72.9%	The variance related to I-710 South major projects (including the Utility, Sound Wall and Southern California Edison Relocation contracts) are due to the I-710 South EIR/EIS alternative revisions which triggered postponement in the planned activities and expenditures.	
16 Phase II Alameda Corridor E Grade Separation	14.0	8.3	5.7	59.3%	ACE is not progressing at the pace as anticipated which is beyond Metro's control.	
17 Highway Operating Improvements Arroyo Verdugo	8.3	3.7	4.7	43.9%	Project delays due to unanticipated ROW acquisition difficulties which required project coordination between multiple agencies.	
18 Other Highway Capital Subsidies	20.0	14.3	5.6	71.7%	Many small projects with individually insignificant variances.	
19 Highway Capital (20%) Total	\$ 198.0	\$ 162.8	\$ 35.2	82.2%		
20 Local Return (15%)						
21 Measure R 15% Local Return	\$ 112.8	\$ 112.6	\$ 0.2	99.8%	Cities' draw down were based on actual tax revenues.	
22 Local Return (15%) Total	\$ 112.8	\$ 112.6	\$ 0.2	99.8%		
23 Operations - Bus (20%)						
24 Measure R 20% FAP Subsidies	\$ 46.4	\$ 46.0	\$ 0.3	99.3%	Delays in invoices and draw down from cities.	
25 Metro Bus	105.2	105.2	-	100.0%		
26 Operations - Bus (20%) Total	\$ 151.6	\$ 151.3	\$ 0.3	99.8%		
27 Operations - Rail (5%) Total	\$ 74.7	\$ 51.0	\$ 23.7	68.2%	Accounting will book the actuals in the final closing. Metro Rail will be fully funded.	

(Continued)		YTD June 30, 2016				Variance Explanation
Measure R Fund (\$ in millions)	Budget	Actual	Under / (Over) Budget	% of Budget		
28	<b>Transit Capital - Metro Rail CP (2%)</b>					
29	Southwestern Yard	\$ 39.3	\$ (35.2)	\$ 74.5	-89.8%	Negative current fiscal year actual expense represents retroactive charge out of Southwestern Yard prior year costs to the Measure R construction projects benefiting from the new maintenance facility.
30	Blue Line	10.1	2.8	7.4	27.4%	Project currently in closeout. Hard variance underrun is anticipated when project closes.
31	Fare Gate Project	4.9	0.9	4.1	17.3%	Change in project manager has negatively impacted project schedule on gating Expo at-grade stations.
32	Westside Purple Line	3.2	0.5	2.7	14.3%	Variance due to overly optimistic forecast of when awards will be received and for what amounts.
	Gold Line Foothill	5.0	13.4	(8.3)	265.6%	Overrun is due to betterment work. Betterments are not forecasted as they are indentified on an individual basis at the time the quality of the project is inspected and punch list walk. Also Foothill Authority increased activities to meet opening date of April 5, 2016.
33	Other Transit Capital 2% Projects	22.0	14.7	7.2	67.1%	Misc eight projects. Variance dollars considered not significant.
34	<b>Transit Capital - Metro Rail CP (2%) Total</b>	<b>\$ 84.5</b>	<b>\$ (3.1)</b>	<b>\$ 87.6</b>	<b>-3.6%</b>	
35	<b>Transit Capital - Metrolink (3%)</b>					
36	Metrolink Transit Capital	\$ 17.5	\$ 4.9	\$ 12.6	27.9%	\$13M budgeted for new TVMs - Metrolink is reissuing RFP causing money to remain unspent.
37	Raymer to Bemson Double Track Project	6.5	1.2	5.3	19.0%	Project placed on hold by Metro CEO.
38	BOB Hope Airport	5.4	1.9	3.5	35.1%	The Airport Pedestrian Bridge project is on hold. The Station Project construction was delayed due to bids being rejected and reissuing RFP to address City of Burbank concerns regarding O&M.
39	Grade Crossing Improvement	5.8	2.5	3.2	44.0%	The consultant progress, including property appraisal services, was slower than originally anticipated in the budget.
40	Southern California Regional Interconnector Project (SCRIP)	10.0	6.8	3.2	67.9%	Project delayed due to scope changes to include the Union Station Master Plan and California High Speed Rail projects.
41	Vincent Grade/Action Station	5.5	2.4	3.0	44.4%	Metrolink led project. Project will be completed in September 2016 and expect invoices in FY17.
42	Van Nuys North Platform Project	3.3	1.1	2.2	33.9%	Project transferred to Metrolink - negotiations caused delay in expending funds.
43	Other Transit Capital - Metrolink 3% Project	5.9	3.0	2.9	50.6%	Misc small twelve projects.
44	<b>Transit Capital - Metrolink (3%) Total</b>	<b>\$ 59.9</b>	<b>\$ 23.9</b>	<b>\$ 36.0</b>	<b>39.9%</b>	
45	<b>Transit Capital - New Rail (35%)</b>					
46	Expo 2	\$ 207.1	\$ 133.1	\$ 74.1	64.2%	Variances are due to: Invoices delay and contingency initially set up by Expo CA. No contingency was needed for FY 16.
47	Regional Connector	238.0	182.6	55.4	76.7%	Utility relocation delays the project. Late City approvals of traffic control plans and permits have resulted in further delays. Schedule delays in Underground Station, Underground Tunnel, General Requirements, Temporary Facility & Others, and Final Design impacted the project cashflow throughout FY16.
48	Light Rail Vehicles for Service Expansion	121.5	100.3	21.2	82.6%	The actuals understated by \$24.6M through erroneous journal entry, offset with Bus Facility Maintenance projects. The rails cars were slow in its delivery so project manager reduced budget midstream by \$50M.
49	Crenshaw	369.8	349.0	20.8	94.4%	Underrun due to the design-builders schedule and billing delay.
50	Westside Purple Line	408.6	390.5	18.1	95.6%	Savings due to less than anticipated costs for preliminary engineering on Section 3 and Real Estate acquisition and utility relocation on Section 2.
51	Expo 1	18.4	0.5	17.9	2.5%	Re-scoping procurement on Washington Siding to bundle with MBL signal & track and bidders extending bid period has delayed contract award to FY17.
52	Gold Line Foothill	60.6	80.0	(19.3)	131.9%	Overrun due to late invoices from FY15 and betterments identified and performed in FY16. Project delivered within LOP budget.
53	Eastside Light Rail Access	3.0	0.5	2.5	16.6%	City and County are slow to invoice. Follow ups have been made to both city and county.
54	Other Transit Capital Projects	12.7	11.7	1.1	91.5%	Misc small eight projects. Variance considered not significant.
55	<b>Transit Capital - New Rail (35%) Total</b>	<b>\$ 1,439.8</b>	<b>\$ 1,248.1</b>	<b>\$ 191.7</b>	<b>86.7%</b>	
56	<b>Grand Total</b>	<b>\$ 2,195.4</b>	<b>\$ 1,808.4</b>	<b>\$ 387.0</b>	<b>82.4%</b>	

Outlook for FY17

Staff will continue to monitor the financial performance of the agency in FY17 and provide quarterly updates to the Board.