



Metro

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Metropolitan Transportation Authority

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JANUARY 30, 2020

TO: BOARD OF DIRECTORS

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

FROM: NALINI AHUJA *Nalini Ahuja*
CHIEF FINANCIAL OFFICER

SUBJECT: FISCAL YEAR 2020 – FIRST QUARTER YEAR-TO-DATE (YTD)
FINANCIAL AND PERFORMANCE REPORT

ISSUE

This report summarizes Metro's performance for FY20 through the first quarter ending September 30, 2019.

Metro has been utilizing the Comprehensive Agencywide Performance Evaluation (CAPE) tool on a quarterly basis to monitor performance. The tool measures Mission Essential Task Lists (METLs) attainment which was developed under CEO's directive to incrementally achieve the June 2018 Board adopted Metro Vision 2028 strategic plan as well as reports fiscal stability through actual to budget variance analysis. CAPE illustrates Metro's fiscal discipline and accountability by reviewing the financial performance with the available resources and budget usage.

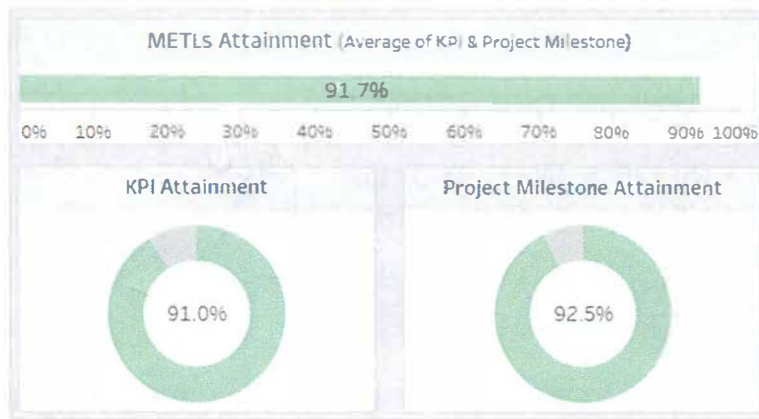
DISCUSSION

A. METLs-KPIs and Project Milestone Attainment Score

Achievement of METLs are measured by Key Performance Indicators (KPIs) and Project Milestones. KPIs evaluate the performance of ongoing operations, while Project Milestones track the progress of one-time or new initiatives and projects in relation to their planned schedule and delivery. The METLs Attainment score is the average of KPIs and Project Milestones rates.

KPI and Project Milestone Attainment ratings are based on their performance represented in percentages. Scores of 90% and above are "Excellent", 70-89.99% are "Good," and below 70% are "Needs Improvement." Please see Figure 1 for the METLs Attainment Score.

Figure 1. METLs Attainment Score



Scoring Legend:



For the first quarter of FY20, Metro received a METLs Attainment score of 91.7

% illustrating the agency’s continued commitment towards the Vision 2028 goals. 91.0% of the departments received Excellent and Good scores in KPI Attainment and 92.5% of the departments received Excellent and Good scores in Project Milestone Attainment.

The high attainment score of METLs is an indicator that the Agency is rapidly progressing toward achieving the vision of Measure M, with all transit expansion projects in various stages of planning, groundbreaking, and construction. Furthermore, the Excellent scores demonstrates Agency’s performance is on target and moving forward with improving existing lines and facilities as well as enhancing the transit system by taking advantage of new technologies such as advanced mobile apps, better real time information to make the transit system safe, clean and efficient.

KPI Attainment

Each department developed KPIs related to the METLs which align to the Agency’s Vision 2028 goals and initiatives. KPIs measure productivity, efficiency, and outcome rather than output metrics. For the first quarter, KPI attainment achieved a score of 91.0% with 63 out of 81 KPIs receiving an “Excellent” score. The KPIs reflect on-going operations and Metro’s commitment to continuous improvement.

Project Milestone Attainment

Project Milestone Attainment achieved a score of 92.5% illustrating the progress being made for various projects during the quarter. Project Milestones track progress of key projects, programs, and studies on a quarterly basis and are scored based on the project's schedule and delivery in relation to its Life of Project. Additionally, Project Milestones help establish new targets and ensure good utilization of resources. For the first quarter, 98 out of 120 Project Milestones received a rating of "Excellent."

A new addition to CAPE is the performance metric trend analysis tool which compares current year's performance to prior year's data as a result of collecting performance data in the system last year. Any underperforming metrics from the first quarter have been addressed through an action plan designed to help the metric improve in the following quarter.

B. Summary of Revenues and Expenses

Revenues/ Expenses (\$ in millions)	YTD September 30, 2019			
	Budget	Actual	Variance	% of Budget
1 Sales Tax and Operating Revenues	\$ 1,086.9	\$ 1,135.5	\$ 48.6	104.5%
2 Reimbursement Revenues ¹	715.0	528.6	(186.4)	73.9%
3 Total Revenues	1,801.9	1,664.1	(137.8)	92.4%
4 Total Expenses/Expenditures	1,605.4	1,261.8	343.7	78.6%
5 Revenues Over/(Under) Expenses	\$ 196.5	\$ 402.3	\$ 205.8	

¹ Includes federal, state and local grant, bond proceeds, Transportation Infrastructure Finance and Innovation Act (TIFIA) loan drawdowns, and prior year commitments.

Metro illustrates its commitment to fiscal discipline and accountability through monitoring its financial performance. Overall, Metro collected \$1,135.5 million of sales tax and operating revenues in addition to \$528.6 million of reimbursements from grant and debt financing and expended \$1,261.8 million. Sales tax and operating revenues came in higher than the budget by \$48.6 million. Reimbursement revenues ended short of budget by \$186.4 million due to project schedule and invoice timing. Total expenses of \$1,261.8 million came in under the budgeted amount of \$1,605.4 million, which resulted in a \$343.7 million variance due to delays in capital project billings.

C. Summary of Revenues

		YTD September 30, 2019			
Source (\$ in millions)		Budget	Actual	Over / (Under) Budget	% of Budget
1	Sales Tax, TDA & STA Revenues				
2	Proposition A	\$ 202.8	\$ 210.2	\$ 7.4	103.7%
3	Proposition C	202.8	210.2	7.4	103.7%
4	Measure R	202.8	210.1	7.3	103.6%
5	Measure M	202.8	208.9	6.1	103.0%
6	Transportation Development Act	101.5	104.8	3.4	103.3%
7	Subtotal Sales Tax & TDA Revenues ¹	912.6	944.2	31.6	103.5%
8	State Transit Assistance Fund ²	29.5	22.8	(6.7)	77.2%
9	SB1 State Transit Assistance Fund ²	24.5	18.9	(5.6)	77.2%
10	SB1 State of Good Repair ³	7.5	12.9	5.4	172.2%
11	Subtotal Sales Tax, TDA & STA Revenues ¹	\$ 974.1	\$ 998.8	\$ 24.7	102.5%
12	Operating & Other Revenues				
13	Passenger fares	\$ 71.1	\$ 63.1	\$ (8.1)	88.6%
14	Toll Revenue	14.6	16.3	1.7	111.5%
15	Advertising	6.4	4.4	(2.0)	68.4%
16	Union Station	2.6	7.5	4.9	285.9%
17	Bike Revenue	0.7	0.1	(0.6)	16.3%
18	Parking Unit	0.8	0.6	(0.2)	79.6%
19	Low Carbon Fuel Standard Sales	5.7	17.4	11.7	307.4%
20	Investment Income	1.3	19.7	18.5	1564.0%
21	Other Income ⁴	9.7	7.5	(2.2)	77.6%
22	Subtotal Operating & Other Revenues	\$ 112.8	\$ 136.6	\$ 23.8	121.1%
23	Total Sales Tax & Operating Revenues	\$ 1,086.9	\$ 1,135.5	\$ 48.5	104.5%
24	Reimbursement Revenues ⁵	\$ 715.0	\$ 528.6	\$ (186.4)	73.9%
25	Total Revenues	\$ 1,801.9	\$ 1,664.1	\$ (137.8)	92.4%

Totals may not add due to roundings.

¹ Actual Proposition A, Proposition C, Measure R, Measure M and TDA Revenues represent amounts released by the California Department of Tax and Fee Administration (CDTFA) through the first quarter.

² Actual for STA and SB1 STA represents amounts released by State Controller's Office through the first quarter.

³ Actual for SB1 SGR represents amounts released by State Controller's Office through the first quarter.

⁴ Includes CNG tax credits, lease revenues, vending, and other miscellaneous revenues.

⁵ Includes federal, state and local grant, bond proceeds, Transportation Infrastructure Finance and Innovation Act (TIFIA) loan drawdown, and prior year commitment.

- Sales Tax, TDA & STA Revenues

Sales Tax and TDA revenues for the first quarter of FY20 came in \$31.6 million, 3.5% higher than the adopted budget, reflecting higher than expected economic growth for the region.

The State Transit Assistance (STA) revenue is budgeted based on the State Board of Equalization's forecast of sales tax revenues on diesel fuel. Actual revenues received for the reporting period are dependent upon actual consumption of diesel fuel combined with changes in fuel price. The information presented for the first quarter of FY20 is \$6.7 million below the budgeted amount of \$29.5 million.

The Road Repair and Accountability Act of 2017, commonly known as Senate Bill 1 (SB1), is a significant component in the current budget. On an annual basis, SB1 allocates formula funds to transit agencies for two programs: 1) State of Good Repair (SGR) and 2) State Transit Assistance (STA) for bus and rail operations. In FY20 Q1, Metro received \$18.9 million in SB1 STA formula funds which is \$5.6 million lower than the budget and \$12.9 million in SB1 SGR funds which is \$5.4 million higher than the budget.

- **Passenger Fare Revenue**

Passenger fare revenue of \$63.1 million is lower than the adopted budget by \$8.1 million, primarily due to continued boarding losses. The first quarter boardings were 94.0 million, or 1.2%, below the budgeted boardings of 95.2 million. The boarding decline is consistent with the experience of other Southern California regional operators. Metro Operations staff is aware of the situation and working to turn around the trend in future periods by improving route efficiencies, increasing security presence on the system, as well as enhancing our customer experience to attract and retain riders.

- **Toll Revenue**

Metro ExpressLanes toll revenue of \$16.3 million exceeded the budget by \$1.7 million, or 11.5% primarily due to higher than expected violation tolls and fees. There were significant instances of vandalism to ExpressLanes communications equipment last year. The collection of these violations was recognized in FY20. The higher violation tolls and fees are offset by the lower toll revenue. Although first quarter ExpressLanes trips increased 6.0% year-over-year, the average toll paid declined by 9.7%. The additional trips traveled on the ExpressLanes were not necessarily at the most congested times, resulting in lower average toll revenues per vehicle. State law requires the net toll revenues generated from Metro ExpressLanes be reinvested in the corridors from which they were derived, pursuant to a board approved expenditure plan.

- Metro's bus and rail operating advertising revenue was lower than the budget by \$2.0 million, or 31.6% due to timing delays. A higher payment of advertising revenue was earned in the first quarter of FY20, but was received in the second quarter. The department anticipates the revenue will be reflected in the second quarter.

- Union Station operating revenue was higher than budget by \$4.9 million due to higher common area maintenance recovery and better than anticipated parking revenue from special events and Dodger Stadium shuttle riders.
- Bike Share revenue was short of budget by \$0.6 million, or 83.7%. The variance is attributed to the delay in collecting revenues from City of LA and delays in Q1 revenue reconciliation between Bicycle Transit System (BTS) and Regional TAP.
- Net revenue for the parking management program was lower than expected by \$0.2 million primarily attributed to the delay in implementing paid parking at Wardlow and Willow stations on the blue line; also, parking permits were suspended at five stations due to the continued shutdown of the Blue line throughout the first quarter.
- Low Carbon Fuel Standard (LCFS) Credit Revenue

The sale of LCFS credit is based on market conditions. Therefore, the budget is very conservative. In the first quarter of FY20, Metro executed one direct sale of LCFS credit bringing in \$17.4 million of revenue which was \$11.7 million more than anticipated in the budget. This sale was timed to take advantage of market conditions favorable to Metro's interests. Per Board policy, revenues generated from LCFS program can be used for the implementation, operations, and maintenance of sustainability related infrastructure projects.

- Investment Income

Investment income of \$19.7 million exceeded the budget by \$18.5 million primarily due to higher than anticipated cash balances. This higher than expected balances was the result of slower draw-downs of planned capital projects, call for projects, and subsidies during the period. Metro continues to invest unused funds according to the Board approved investment policy.

- Other Income

Other income of \$7.5 million came in lower than the budget by \$2.2 million, primarily due to less than anticipated transit citation revenue and delays in recording the subway cell phone revenue.

- Resources Based on Reimbursement

The actual reimbursements of capital expenditures from grants, debt financing and prior year carryover ended the quarter-to-date below budget by \$186.4 million. These resources are recognized on a reimbursement basis, and are driven by actual capital expenditures billings. Details of the related expenses can be found in the *"Summary of Expenditures"* section of this report.

D. Summary of Expenditures

Overall, the first quarter year to date FY20 expenditures totaled \$1,261.8 million or 78.6% of the \$1,605.4 million budget, representing an underrun of \$343.7 million or 21.4% below budget.

Program Type (\$s in millions) ¹	YTD September 30, 2019			
	Budget	Actual	Under/(Over) Budget	Actuals as % of Budget
1 Transportation Infrastructure Development	\$401.1	\$250.9	\$150.1	62.6%
2 Metro Transit-Operations and Maintenance	417.2	368.9	48.3	88.4%
3 Metro Transit-SGR and Other Asset Improvements	188.9	149.1	39.8	78.9%
4 Subsidy Funding Programs	337.5	278.4	59.2	82.5%
5 Regional Rail	43.5	27.2	16.3	62.6%
6 Congestion Management	23.7	20.9	2.8	88.3%
7 General Planning & Programs	22.4	15.0	7.4	66.9%
8 Debt Service	134.4	120.6	13.8	89.8%
9 Oversight and Administration	36.8	30.8	6.0	83.8%
10 Total	\$1,605.4	\$1,261.8	\$343.7	78.6%

¹ Figures reflect reversal of overhead cost to Oversight and Administration Program Type for management control purposes

- **Transportation Infrastructure Development**

The Transportation Infrastructure Development program totaled \$250.9 million or 62.6% of the \$401.1 million budget. \$81.0 million, or 54.0% of the \$150.1 million variance, is primarily attributable to billing and construction-related activities for Measure R and Measure M transit construction projects. The construction contract for Gold Line Foothill Ext. Phase II was awarded later than anticipated. Crenshaw/LAX Transit Corridor experienced a slowdown in their construction progress resulting in lower than anticipated expenditures. The construction contract procurement for Division 20 Portal Widening was delayed, and anticipated award will now occur in Q3. A shortage of contractor labor impacted Regional Connector underground cut and cover activities, resulting in lower than anticipated costs. Coordination issues with Los Angeles World Airport caused a slowdown in construction activities for the Airport Metro Connector Construction. Westside Subway Ext. Section 2 experienced higher than anticipated costs for utility relocation and earlier than planned real estate acquisition, and Westside Subway Ext. Section 3 experienced higher than anticipated costs associated with stations, resulting in a budget overrun in both projects. A delay in executing a supplemental engineering task due to modifications to the requirements caused an underrun for the West Santa Ana Branch Corridor project. The remaining variance lies in construction delays and invoice timing for Highway projects.

- **Metro Transit - Operations and Maintenance**

Metro Transit - Operations and Maintenance Program delivered 2.0 million actual Revenue Service Hours (RSH), 2.0% below the RSH budgeted. Actual Expenses came to 88.4% of the budget. The \$48.3 million overall variance was mainly due to the underspending of the Bus program by \$20.0 million and the underspending of the rail program by \$25.2 million. Invoices for Facilities Maintenance service contracts and other Professional Services are experiencing invoice delays. All invoices are expected to be caught up in the remaining quarters. The remainder of the variance is due to a higher than planned level of Bus Operator vacancies. This is being addressed by an increased focus on alternative Operator hiring and training.

- Metro Transit - State of Good Repair (SGR)

The Metro Transit- State of Good Repair program finished first quarter at \$39.8 million under budget, or 78.9% of budget spent. Of the \$39.8 million variance, \$13.0 million in invoices for Farebox Upgrade are experiencing increased processing time. \$11.7 million in P3010 LRV Project Plus Options is a result of withholding delivery of 50 LRVs for open engineering punch list corrections prior to final vehicle acceptance. \$6.7 million was due to increased invoice processing time for bus acquisitions. All invoice processing will be completed by fiscal year end.

- Subsidy Funding Programs

Subsidy programs came in at 82.5% of the budget with an underrun of \$59.2 million due to invoicing timing from local agencies and delays in drawdowns of regional subsidies.

- Regional Rail

The Regional Rail program includes subsidies to Metrolink and Metro directed capital projects and studies. Overall, Regional Rail recorded \$27 million of the \$43.5 million budget with an underrun of \$16.3 million. Total Metrolink operating expenditures came in at \$24.4 million, slightly above the \$20.3 million budget due to a higher first quarter contribution to Metrolink operations. Metrolink Transit Capital projects continue to significantly underrun the expected rate of expenditures as a result of Metrolink's project delivery and invoicing delays. Metro directed Regional Rail expenditures came in \$12.8 million under budget primarily due to LINK US experiencing delays as other project delivery alternatives are being considered in addition to Rosecrans and Marquardt Grade anticipated property acquisitions has been pushed to second quarter. Regional Rail Modeling Studies includes anticipated project expenditures to be implemented in the second half of the fiscal year.

- Congestion Management

The Congestion Management Program spent \$20.9 million, or 88.3%, of the \$23.7 million budget. The \$2.7 million variance mainly stems from the Freeway Service Patrol experiencing invoice timing and delays in procuring the Freeway Service Patrol operation system. The Transcore contract has been delayed to later quarters and the

Roadside Toll Collection system contract is awaiting permit approval from Caltrans which is expected to occur in second quarter.

- **General Planning and Programs**

The General Planning and Programs ended the year at \$15.0 million spent, or 66.9% of the \$22.4 million budget. \$1.8 million of the \$7.4 million variance is attributed to invoice timing of the Public-Private Partnership (P3) project studies. Various Bikeshare projects in Active Transportation are experiencing invoicing delays such as the LARVR Waterway System Bike Path to occur in the next quarter. The Parking program is in the process of revising facilities maintenance services in certain location, labor charges are expected in second quarter. Sustainability projects have been late in issuing tasks orders but is expected to ramp up in later quarters. System Connectivity Program and Studies are experiencing both project and timing differences such as the Centinela Grade Separation project due to contract negotiations.

- **Debt Service**

The debt principal and interest expenses totaled \$120.6 million for the first quarter, \$13.8 million below the budgeted amount of \$134.4 million. The underrun is a result of refunding the Prop A 2009 bonds and new amortization cost for refunded and new bonds. There is also timing discrepancy between the drawdown amount for Measure R TIFIA loans and its amortization schedule which is expected to even out by fiscal year end. Credit facilities have not been utilized to full capacity as budgeted and no drawdown from Measure R revolving credit this quarter resulted in lower than anticipated interest payments.

- **Oversight and Administration**

Oversight and Administration spent \$30.8 million which is 83.8% of the \$36.8 million budget. This program consists of activities that provide legally required oversight and support for the Agency such as the Office of the Inspector General (OIG), County Counsel, Audit and Government Relations as well as efforts to administer Measure R, Measure M, and other agencywide support functions.

NEXT STEPS

Staff will continue to monitor the financial performance of the Agency through FY20 and will provide quarterly updates to the Board.

The Comprehensive Agencywide Performance Evaluation (CAPE) project will continue to be refined and enhanced to reflect Metro's commitment to fiscal responsibility and advancing Metro as a mobility transforming organization.