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Metropolitan Transportation Authority


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MARCH 23, 2020

TO: BOARD OF DIRECTORS

THROUGH: PHILLIP A. WASHINGTON ^{PAW}
CHIEF EXECUTIVE OFFICER

FROM: NALINI AHUJA 
CHIEF FINANCIAL OFFICER

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

ISSUE

This report summarizes Metro's performance for FY20 through the second quarter ending December 31, 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 and to report 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.

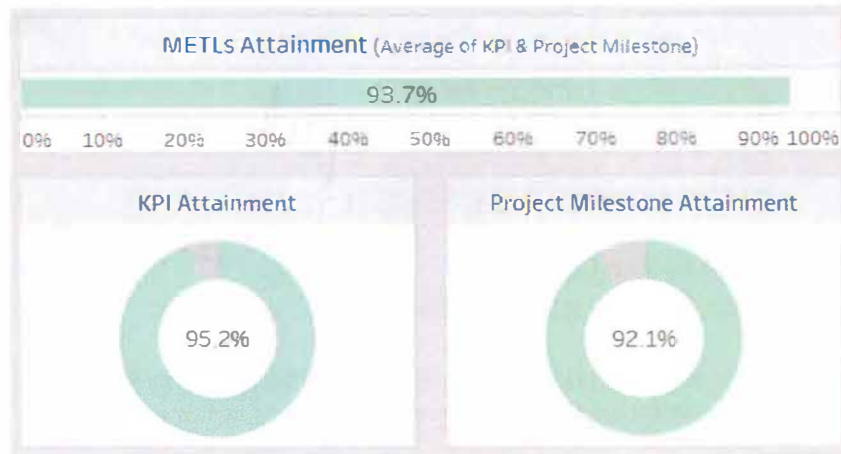
DISCUSSION

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:

Excellent	• Attainment of 90% and above
Good	• Attainment of 70 – 89.9%
Needs Improvement	• Attainment of below 70%

For the second quarter of FY20, Metro received a METLs Attainment score of 93.7%, as a result of the departments achieving a 95.2% KPI Attainment and 92.1% Project Milestone Attainment, illustrating the agency’s continued commitment towards the Vision 2028 goals.

The high attainment score of METLs is an indicator that the Agency is progressing toward achieving the vision of Measure M, with all transit expansion projects in various stages of planning, groundbreaking, and construction. Further, 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 and 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 second quarter, KPI attainment achieved a score of 95.2% with 68 out of 83 KPIs receiving an “Excellent” score. This score is a 3% increase from this time last year. The KPIs reflect on-going operations and Metro’s commitment to continuous improvement.

Project Milestone Attainment

Project Milestone Attainment achieved a score of 92.1%, a 1% increase from FY19Q2, illustrating the steady 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 second quarter, 94 out of 125 Project Milestones received a rating of "Excellent."

The performance metric trend analysis tool, introduced this year, compares the current year's performance to prior year's data by showing the trend of the current quarter. The tool was a result of collecting performance data in the system last year. Any underperforming metrics from the second 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 December 31, 2019			
	Budget	Actual	Variance	% of Budget
1 Sales Tax and Operating Revenues	\$ 2,243.5	\$ 2,384.7	\$ 141.2	106.3%
2 Reimbursement Revenues ¹	1,360.3	831.5	(528.8)	61.1%
3 Total Revenues	3,603.8	3,216.2	(387.6)	89.2%
4 Total Expenses/Expenditures	3,322.2	2,913.7	408.5	87.7%
5 Revenues Over/(Under) Expenses	\$ 281.6	\$ 302.5	\$ 20.9	

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 \$2,384.7 million of sales tax and operating revenues in addition to \$831.5 million of reimbursements from grant and debt financing and expended \$2,913.7 million. Sales tax and operating revenues came in higher than the budget by \$141.2 million. Reimbursement revenues ended short of budget by \$528.8 million due to project schedule and invoice timing. Total expenses of \$2,913.7 million came in under the budgeted amount of \$3,322.2 million, which resulted in a \$408.5 million variance due to delays in capital project billings.

C. Summary of Revenues

		YTD December 30, 2019			
Source (\$ in millions)		Budget	Actual	Over / (Under) Budget	% of Budget
1	Sales Tax, TDA & STA Revenues				
2	Proposition A	\$ 421.1	\$ 449.6	\$ 28.6	106.8%
3	Proposition C	421.1	449.6	28.6	106.8%
4	Measure R	421.1	449.2	28.1	106.7%
5	Measure M	421.1	446.8	25.8	106.1%
6	Transportation Development Act	210.6	223.0	12.4	105.9%
7	Subtotal Sales Tax & TDA Revenues ¹	1,894.8	2,018.2	123.4	106.5%
8	State Transit Assistance Fund ²	59.0	52.3	(6.7)	88.6%
9	SB1 State Transit Assistance Fund ²	48.9	43.3	(5.6)	88.6%
10	SB1 State of Good Repair ³	15.0	20.5	5.4	136.1%
11	Subtotal Sales Tax, TDA & STA Revenues ¹	\$ 2,017.8	\$ 2,134.3	\$ 116.5	105.8%
12	Operating & Other Revenues				
13	Passenger fares	\$ 142.3	\$ 125.2	\$ (17.0)	88.0%
14	Toll Revenue	29.2	32.8	3.6	112.4%
15	Advertising	12.8	12.7	(0.1)	98.9%
16	Union Station	5.2	8.5	3.3	162.4%
17	Bike Revenue	1.3	0.2	(1.2)	13.9%
18	Parking Unit	1.6	1.5	(0.1)	94.6%
19	Low Carbon Fuel Standard Sales	11.3	17.5	6.1	154.1%
20	Investment Income	2.5	32.9	30.3	1301.6%
21	Other Income ⁴	19.4	19.1	(0.3)	98.6%
22	Subtotal Operating & Other Revenues	\$ 225.7	\$ 250.4	\$ 24.7	110.9%
23	Total Sales Tax & Operating Revenues	\$ 2,243.5	\$ 2,384.7	\$ 141.2	106.3%
24	Reimbursement Revenues ⁵	\$ 1,360.3	\$ 831.5	\$ (528.9)	61.1%
25	Total Revenues	\$ 3,603.8	\$ 3,216.2	\$ (387.7)	89.2%

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 second quarter.

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

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

⁴ Includes 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 second quarter of FY20 came in \$2,018.2 million, 6.5% 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 second quarter of FY20 is \$6.7 million below the budgeted amount of \$59.0 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 Q2, Metro received \$43.3 million in SB1 STA formula funds, \$5.6 million lower than the budget and \$20.5 million in SB1 SGR funds, \$5.4 million higher than the budget.

- Passenger Fare Revenue

Passenger fare revenue of \$125.2 million is lower than the adopted budget by \$17.0 million, primarily due to continued boarding loss. The second quarter boardings were 186.0 million, or 2.3%, below the budgeted boardings of 190.4 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's experience to attract and retain riders.

- Toll Revenue

Metro ExpressLanes toll revenue of \$32.8 million exceeded the budget by \$3.6 million, or 12.4% 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. Although second quarter ExpressLanes trips increased 4.5% year-over-year, the average toll paid declined by 8.5%. 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 \$0.1 million, or 1.1% due to timing delays. A higher payment of advertising revenue was earned in the second quarter of FY20 but was received in the third quarter. The department anticipates the timing difference of revenue will be reflected in the third quarter.
- Union Station operating revenue was higher than budget by \$3.3 million due to higher common area maintenance recovery. It is likely additional adjustments will be made upon conclusion of negotiations for common area maintenance.
- Bike Share revenue was short of budget by \$1.2 million, or 86.1%. The variance is primarily attributed to the delays in implementing the new Smart bike technology and expanding the program to new service areas. In addition, the revenue projection submitted at the start of FY20 was based on a formulated projected revenue increase, which was overly ambitious. Although the KPIs for ridership continue to be met because ridership in existing areas, especially in Downtown LA, the revenue was not generated because is mostly from passholders and is not equivalent to the revenue generated on a per ride basis.
- Net revenue for the parking management program was lower than expected by \$0.1 million primarily attributed to the delayed invoicing from the Car Share program.
- 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 second quarter of FY20, Metro executed one direct sale of LCFS credit bringing in \$17.5 million of revenue which was \$6.1 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 \$32.9 million exceeded the budget by \$30.3 million primarily due to higher than anticipated cash balances. These higher than expected balances were 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 \$19.1 million came in on budget with only \$0.3 million lower.

- 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 \$528.9 million. These resources are recognized on a reimbursement basis, and are driven by actual capital expenditures billing process. Details of the related expenses can be found in the “*Summary of Expenditures*” section of this report.

D. Summary of Expenditures

Overall, the second quarter year to date FY20 expenditures totaled \$2,913.7 million or 88.1% of the \$3,322.2 million budget, representing an underrun of \$408.5 million or 11.9% below budget.

Program Type (\$s in millions) ¹	YTD December 31, 2019			
	Budget	Actual	Under/(Over) Budget	Actuals as % of Budget
1 Transportation Infrastructure Development	\$916.0	\$679.3	\$236.7	74.2%
2 Metro Transit-Operations and Maintenance	847.0	786.8	60.2	92.9%
3 Metro Transit-SGR and Other Asset Improvements	346.5	377.8	(31.3)	109.0%
4 Subsidy Funding Programs	679.1	594.7	84.3	87.6%
5 Regional Rail	87.1	76.0	11.1	87.2%
6 Congestion Management	51.1	38.9	12.2	76.1%
7 General Planning & Programs	54.2	36.2	18.0	66.8%
8 Debt Service	266.4	256.5	9.8	96.3%
9 Oversight and Administration	74.9	67.4	7.4	90.1%
10 Grand Total	\$3,322.2	\$2,913.7	\$408.5	88.1%

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 \$679.3 million or 74.2% of the \$916.0 million budget. \$158.8 million, or 67.1% of the \$236.7 million variance, is primarily attributable to billing and construction-related activities for Measure R and Measure M transit construction projects. Crenshaw/LAX Transit Corridor experienced a slowdown in their construction progress resulting in lower than anticipated expenditures. Regional Connector experienced delays in their underground station, underground tunnel, and utility relocation activities. For the Division 20 Portal Widening, the design build contract award was delayed to accommodate design amendments, and the contract award is now anticipated in Q3. The construction contract for Gold Line Foothill Ext. Phase II was awarded later than planned, leading to lower than anticipated expenditures. Delays in construction and preconstruction contract awards for the “shoo fly” component of the Airport Metro Connector project contributed to the variance. For the West Santa Ana Branch Corridor project, the supplemental Engineering Services task order was issued later

than anticipated, contributing to the variance for that 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), 2.2% below the RSH budgeted. Actual Expenses came to 92.9% of the budget. The \$60.2 million overall variance was mainly due to the underspending of the Bus program by \$31.3 million and the underspending of the rail program by \$21.8 million. Contract Services, including 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 the second quarter at \$31.3 million over budget, or 109.0% of budget spent. The overage is primarily due to invoice timing for bus acquisitions. Similarly, the \$21.1 million overrun in Willowbrook Rosa Parks Station Improvements is also a result of invoice timing. All invoice processing is expected to be completed by fiscal year end. P3010 LRV project has slightly offset the variance due to outstanding items on 50 P2010 Light Rail Vehicles which will resume upon resolution.

- Subsidy Funding Programs

Subsidy programs came in at 87.6% of the budget with an underrun of \$84.3 million due to invoice 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 \$76.0 million of the \$87.0 million budget with an underrun of \$11.1 million. Total Metrolink operating expenditures came in at \$62.5 million, slightly above the \$55.5 million budget due to a higher contribution to Metrolink operations during the first quarter. Metrolink Transit Capital projects continue to significantly underrun the expected rate of expenditures due to Metrolink's project delivery and invoicing delays. Metro directed Regional Rail expenditures came in \$18.1 million under budget primarily due to LINK US experiencing delays as other project delivery alternatives are being considered. Additionally, Rosecrans and Marquardt Grade anticipated property acquisitions have been pushed to the second half of the fiscal year. Regional Rail Modeling Studies experienced invoice timing issues.

- Congestion Management

The Congestion Management Program spent \$38.9 million, or 76.1%, of the \$51.1 million budget. \$7.3 million of the \$12.2 million variance is attributed to Expresslanes experiencing unpredictable Caltrans billing along with a pause in work due to fires in the region. The I-10 ExpressLane study and the I-105 ExpressLane contract modification expenditures are expected to begin later in the fiscal year. The other half of the variance is attributed to Freeway Service Patrol (FSP) delayed procurement of the FSP new operation system and issuance of the FSP new contract due to significant increase of hourly rate in the bid.

- General Planning and Programs

The General Planning and Programs ended the quarter at \$41.7 million spent, or 77.0% of the \$54.2 million budget. \$2.8 million of the \$12.5 million variance is attributed to invoice timing of the Public-Private Partnership (P3) project studies. Various bike related projects have a variance of \$4.6 million due to mischarged transactions, project holds, and procurement delays while Union Station related projects are experiencing common area maintenance charge negotiations, spending plan revisions, and draw request delays which result in a \$1.8 million variance. Underperformed contractor for the Countywide BRT Program and task order execution delays for the Centinela Grade Separation contribute to another \$1.1 million in the variance. The remaining variance is related to project or invoice delays in Joint Development, First/Last Mile, Transit Oriented Communities and other miscellaneous administrative projects.

- Debt Service

The debt principal and interest expenses totaled \$256.5 million for the second quarter, \$9.8 million below the budgeted amount of \$266.4 million. The underrun is a result of lower debt service from refunding the Prop A 2009 bonds. There is a timing discrepancy between the drawdown amount for Measure R TIFIA loans and its amortization schedule. Credit facilities have not been utilized to full capacity as budgeted and no drawdown from revolving credit for Measure R and Prop C this quarter resulted in lower than anticipated interest payments.

- Oversight and Administration

Oversight and Administration spent \$67.4 million which is 90.1% of the \$74.9 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.