



Metro

Los Angeles County
Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

213.922.2000 Tel
metro.net

APRIL 13, 2020

TO: BOARD OF DIRECTORS

FROM: PHILLIP A. WASHINGTON PAW
CHIEF EXECUTIVE OFFICER

SUBJECT: FINANCIAL UPDATE ON COVID-19

ISSUE

This memo provides the Board with an initial assessment of the financial impacts of COVID-19, the challenges Metro faces, and the steps Metro is taking to address these issues.

BACKGROUND

Initial Revenue Assessment

Local Sales Tax Revenues

COVID-19 presents an unprecedented financial challenge for Metro. Our major sources of mobility investment funding, the voter-approved local sales taxes, have and will, at least in the immediate future, continue to decline under the Safer at Home Order, the resulting business disruption, reduction in employment, and anticipated pace of economic recovery in the region. Additionally, the Governors' Executive Orders to provide relief to California small business, including time extensions for business tax filings, will also delay the receipt of sales tax revenues. Our current projections for sales tax revenue losses are over \$800 million through September, 2020. We will track actuals in the coming weeks and months.

Fare Box Revenues

Based on a one week look back (03/26/20 – 04/01/20) in comparison to the same time frame last year (03/28/19 – 04/03/19), we are at a 93% fare revenue loss collected from bus and rail. Currently, our fare box revenue losses are projected at approximately \$19-23 million per month. We are tracking data on these losses, and we anticipate having updated numbers in the weeks to come.

ExpressLanes Toll Revenues

With fewer people traveling on the roads, there is less congestion and a decrease in demand to use the toll lanes. ExpressLanes toll revenues are down compared to the same period a year ago by approximately \$25 million through September, 2020. .

Supplemental Federal Funding

The recently adopted Federal CARES Act provides just over \$1 billion to Los Angeles County to provide financial relief to Metro and the region's Municipal transit operators as we collectively attempt to respond to the COVID-19 crisis.

Working with the Board, our Municipal Operator partners, and other stakeholders, we will seek to address the options available to the Board to support region wide mobility. We will work within our existing federal formulas and allocation mechanisms to identify and support transportation services throughout the county.

While this crucial and needed federal financial support provides some relief for transit operations, it will not mitigate the entire operations funding gap, nor will it address the financial impact of declining sales taxes on our functions as the primary regional transportation planner, infrastructure investor, and funder of LA County mobility improvements.

DISCUSSION

Although our sales tax and fare revenues are declining, Metro continues to provide clean and reliable Bus and Rail Transit services to those who need to make essential trips. At the same time, we will continue to move forward on the major construction projects: Crenshaw, Regional Connector, Purple Line Extension, and Gold Line Foothill Extension.

However, in recognizing our current circumstances, I have issued a Call for Action to my Senior Leadership Team and directed staff to consider immediate deferral, reductions and/or elimination of non-essential projects and contract awards, reduction in bus and rail service, while preserving operating and maintenance jobs, prioritization of construction activities, suspension of projects unrelated to core Metro functions of Bus and Rail Transit operations, and prioritization of even essential activities and programs for deferral or elimination accordingly. My priorities will be to preserve jobs as much as possible and to keep our system safe for both our employees and the riding public.

FY21 Budget

Metro's budget provides the spending framework for Metro as a Transportation Agency and also reflects the available regional funding for LA County. The uncertainty of the revenue projections and any potential recovery trajectory presents significant challenges in developing and proposing a budget for FY21. In light of this, I will be requesting the Metro Board adopt, at its May meeting, a Continuing Resolution of Metro's FY20 budget through September 2020 to allow Metro time to develop an FY21 budget that reflects our financial reality amidst these challenging times. The Continuing Resolution will extend the FY20 budget spending levels through the first quarter of FY21

(July 2020 – September 2020), allowing Metro to legally encumber and expend funds in the absence of an adopted FY21 budget. Under current law, a Continuing Resolution does not require a Public Hearing prior to consideration by the Board.

In the meantime, staff will continue to provide the Board, our operating partners, and our regional stakeholders with a fuller and more comprehensive understanding of the region's circumstances.

NEXT STEPS

As we work through the COVID-19 financial challenges, Metro must continue not only its role of regional leadership, but we must also ensure that we maintain our own business operations through the provision of world class transit services, regional planning, and transit asset development.

Metro continues to monitor the financial situation, state and federal legislation, and the concerns of our regional partners.

Staff continues to work with the California Department of Tax and Fee Administration (CDTFA) to determine the impacts of the COVID-19 crisis on sales tax revenue collections.

Staff is further seeking to monitor our continuing liquidity needs and make appropriate adjustments to ensure our ongoing obligations are fully met without disruption.

Staff is currently assessing the guidance on the CARES stimulus funding and will provide to the Board and Municipal partners a projected allocation and timeline for the disbursement of funds.

Specific to the FY21 budget development, staff anticipates the following schedule milestones through September 2020.

- May 2020 - Request to Board for Continuing Resolution for FY2020 budget through September 2020
- September 2020 – FY2021 Budget Public Hearing and Adoption

Finally, staff is currently evaluating the impacts of reduced revenues across the broad range of Metro projects and programs. We will provide the Board a comprehensive assessment of agency resources expected to be available in FY21 and will continue to keep the Board abreast of developments as they occur.