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TO: BOARD OF DIRECTORS

THROUGH: ROGER SNOBLE
CHIEF EXECUTIVE OFFICER

FROM: JAMES L. de la LOZA
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COUNTYWIDE PLANNING & DEVELOPMENT

SUBJECT: MTA SHARE OF METROLINK OPERATIONS FUNDING

ISSUE

MTA staff is working with SCRRA and other member agency staff to update the methods for allocating Metrolink operating costs to each member agency. The current method for sharing costs does not adequately reflect the service provided within each county. MTA staff believes MTA is paying more than its fair share of Metrolink operating costs.

DISCUSSION

Alternative methods are described in Attachment A and the financial impacts are summarized in Attachment B. Staff views alternative A as the starting point of negotiations. It is the original method for allocating costs, simply updating the statistics which were frozen for several years. Alternatives B and C would provide less cost savings to MTA, but are more likely to be agreed to by the other member agencies. Alternative B is preferable to Alternative C, as it results in a lower cost to MTA than Alternative C. Also, Alternative C results in a level of operational funding from MTA which exceeds the amount identified in developing the 2003 Short Range Transportation Plan.

Staff will be working with SCRRA staff and member agencies to arrive at a cost allocation method for the FY 2004-05 Budget. Staff considers Alternative B an acceptable alternative as a compromise in the interest of time. However, if consensus is not reached, an alternative temporary solution would be to allocate funding either at the FY 2003-04 level, or according to the original "point-in-time" formula, using updated actual statistics, pending final resolution.

Additional Background.

Subsidy for Metrolink has been funded since its inception from the 10% Commuter Rail portion of the Proposition C Fund. The ongoing funding for operations is limited to growth commensurate with the CPI rate of inflation within the horizon of the Short Range Transportation Plan. The operating cap for FY 2004-05 is $29,381,000. Funding for rehabilitation, as well as discretionary funding for capital projects, are also identified in the MTA 2003 Short Range Transportation Plan.

"Base" Costs.

Base costs make up approximately one half the Metrolink operating budget and include maintenance of the trains and equipment, insurance, administrative and overhead costs. Many of these base costs do not vary directly with service levels; instead they stay relatively fixed in the short run. Member agencies initially agreed to a set of projected statistics (the percentage of stations and route miles located in each county, and the percentage of train miles operated in each county) and shared the base costs accordingly. Paying according to projected statistics did not work well, as service change concepts and construction projects were reconsidered, delayed or dropped at various times of the year, causing inaccuracy and volatility in the budget. Beginning with FY 1998, the statistics were frozen, with MTA's share at approximately 56%, as an interim measure to mitigate the volatility.

In the six years since the base cost sharing formula was frozen, extensive service additions have been implemented, many of them primarily outside of Los Angeles County. Thus the accuracy issue has not been addressed, and has instead deteriorated further. SCRRA has brought it to the attention of the member agencies. MTA staff believes MTA is now significantly overpaying for the base costs associated with the service operated within Los Angeles County.

NEXT STEPS

Staff will be contacting the MTA Board delgation to SCRRA for briefing and consultation on this issue, and will continue its discussions with SCRRA and the other member agencies. These discussions will lead to the development of Metrolink's FY 2004-05 Budget, as follows:

1) In April, MTA representatives on the Metrolink Board will have an opportunity to vote on the Metrolink Preliminary Budget.
2) In May MTA staff will return to the MTA Board for action on the Metrolink Preliminary budget, including its assumptions regarding MTA's share of subsidy.
3) If a temporary cost-sharing methodology is agreed upon for the purposes of the FY 2004-05 Budget, MTA staff will continue discussing the cost sharing issues until a resolution is reached to form the basis for the Metrolink operating budgets for FY 2005-06 and beyond.

Attachments

A. Alternative Methods for Allocating Cost of Metrolink Operations
B. Summary of Financial Impacts under Various Cost Sharing Methods

Attachment A

Alternative Method A for Allocating the Cost of Metrolink Operations

This alternative for allocating the base costs (which make up about half the operating budget) is based on a simple updating of the statistics used to share the base costs prior to FY 1998, using actual (past) figures rather than projected (future) figures. The following weights and assumptions would apply:

- 50% weight on Train Miles
- 25% weight on Unduplicated Route Miles
- 25% weight on Unduplicated Stations

MTA staff views this alternative as the starting point for negotiations, as it is the formula which is currently used, however the data used in the formula is frozen at the 1998 level. Using current statistics with the existing formula would result in significant savings to MTA.

Alternative Method B for Allocating the Cost of Metrolink Operations

This alternative for allocating the base costs was introduced by other member agencies as a compromise between a number of other proposed alternatives for allocating the base costs, which make up about half the operating budget. The following weights and assumptions would apply:

- 28.5% weight on Train
- 20% weight on Unduplicated Route Miles
- 1.5% weight on Unduplicated Stations
- the remaining 50% of base expenses allocated according to FY 1999 frozen formula (as an interim measure to ease the financial impact to affected member agencies)

- Partial reallocation of Orange and Ventura Subdivision Maintenance of Way (MOW) cost to shared lines. (Currently OCTA pays for 100% of the Maintenance of Way on the Orange subdivision which they own, and MTA pays for 100% of a short segment on the Ventura County Line. The MOW costs for all other member agency-owned right of way are shared based on the percentage of route miles located in each county in most cases.)

- Reallocation of San Diego Route Miles to all member agencies proportionate to all other route miles in each county. (Currently the miles between the Oceanside station and the Orange County-San Diego County border are all treated as if they were within Orange County.)

MTA staff views this as an acceptable compromise to allow the timely development of an FY 2004-05 Budget for SCRRA.

Alternative Method C for Allocating the Cost of Metrolink Operations

A recent proposal by executive staff of a number of member agencies would temporarily suspend efforts to allocate costs according to service statistics and simply increase each agency's subsidy from the FY 2003-04 level by an inflation index of 2.37%. The SCRRA proposal illustrated in the last table on Attachment D incorporates an additional step, in which service additions which occurred part of the way through FY 04 are adjusted up to a hypothetical full year of operation, and then the 2.37% inflation factor is applied.

This approach is not acceptable to MTA staff. At the level of total Metrolink operating expenditure anticipated by SCRRA as of this writing, MTA's share of costs exceeds the funding of $29,381,000 identified for Metrolink operations in developing the 2003 Short Range Transportation Plan.

FY 2004-05 METROLINK OPERATING BUDGET
ALTERNATIVE ALLOCATION METHODS

Attachment B

	Total	LACMTA	OCTA	RCTC	SANBAG	VCTC
Original Method with Updated Statistics [4]						
Agency Shares of Costs	100.0%	53.6%	19.5%	8.2%	9.5%	9.2%
Subsidy	**49,824.4**	**26,695.5**	**9,721.6**	**4,075.8**	**4,739.1**	**4,592.4**
RCTC Suggested Method						
Agency Shares of Costs	100.0%	58.8%	16.1%	7.1%	10.1%	7.9%
Subsidy	**49,824.4**	**29,321.0**	**8,007.3**	**3,548.8**	**5,013.3**	**3,933.9**
% Difference from Original	0.00%	9.84%	-17.63%	-12.93%	5.79%	-14.34%
2.37% Escalation Method						
Agency Shares of Costs	100.0%	59.1%	16.9%	6.2%	10.4%	7.5%
Subsidy	**49,824.4**	**29,456.4**	**8,410.5**	**3,079.5**	**5,164.8**	**3,713.3**
% Difference from Original	0.00%	10.34%	-13.49%	-24.45%	8.98%	-19.14%

Notes:
1. Figures are in $000's.
2. MTA's operating subsidy cap for Metrolink is $29,381,000. At the level of expenditure shown, the SCRRA request for subsidy from MTA would exceed the cap.
3. Assumes fare increase July 1, 2004.

4. Figures estimated by MTA staff.