SUBJECT: FISCAL YEAR 2016 BUDGET- PRELIMINARY CAPITAL PROGRAM

ACTION: RECEIVE AND FILE

RECOMMENDATION

Receive and file report on the Fiscal Year (FY) 2016 – Preliminary Capital Program

ISSUE

One of the largest public works program in the nation is underway with five rail lines simultaneously under construction and two of the projects scheduled for opening in the latter half of FY16. As part of the budget development process, staff is presenting the preliminary Capital Program budget which will be included as a part the comprehensive budget planned for adoption in May. At this time the FY16 Capital Program is valued at over $2.01 billion continuing the Measure R construction program and continued progress on various capital projects to maintain Metro's assets in state of good repair.

DISCUSSION

Of the agency's core business goals, the capital program aligns more specifically with the goals of:

- Improve transit service
- Deliver quality capital project on time and within budget
- Exercise fiscal responsibility
- Enhance a safety conscious culture with employees, contractors and customers
- Sustain the environment with energy efficiency and reduce greenhouse gas emissions

Metro's capital program results in the growth of Metro's assets. In 2005, the Metro Comprehensive Financial Annual Report (CAFR) showed the capital asset basis at $8 billion net of depreciation. Metro's capital asset basis includes properties such as Union station, bus and rail divisions, rolling stock, right of way, trackwork, etc. Through 2014, this had grown to approximately $10 billion net of depreciation. With projects adopted through the FY15 budget, approximately $14 billion more is in delivery bringing
the net asset basis to $24 billion at completion. The capital program remains poised for growth with projects yet to be built.

CAPITAL PROGRAM DEVELOPMENT PROCESS

The budget development for the program is a continuous process marked with an annual kick off. The program involves OMB staff in coordination with various project sponsors, stakeholders and department staff to identify and prioritize agency needs. It is designed so that stakeholders and element experts are coordinated with the project budget development, prioritization and funding allocation relative to available funding resources. By the time the preliminary capital program is presented, staff will have coordinated with all affected parties / stakeholders and has developed a preliminary plan that addresses the mission critical tasks for the coming year.

Capital Program Budget Actual Performance from 2000-2015

The above chart presents the Capital Program budget and actuals performance for FY 2000, 2005, 2010 and the forecasted FY2015 budget. It is noteworthy that the more recent FY performance is much improved over previous fiscal years in terms of budget levels, control and project expenditures.

FY16 PRELIMINARY CAPITAL PROGRAM

The preliminary FY16 Capital Program is valued at over $2.01 billion. The program is divided into two major groups: Expansions and State of Good Repair. "Expansion" projects represent the transit asset construction which allows for future Metro service expansion upon completion. "State of Good Repair" (SGR) projects represent asset maintenance and improvements required to keep Metro's current and growing asset base in optimum service delivery condition. SGR projects include vehicle procurements, bus or rail facilities improvements, infrastructure improvements, etc. As expansion projects are completed, an increase in SGR efforts will be required so the major capital investments remain at a ready-to-deliver service state.
A. **Expansions: Measure R Funded Transit Capital - $1.66 billion:**

The preliminary FY16 plan will fund the construction completion and anticipated Revenue Service Openings for the Expo II and Foothill Light Rail projects. Crenshaw / LAX, Regional Connector and Westside Purple Line Extension Section 1 projects plan for continued design and construction. Staff will continue work efforts on its FFGA and TIFIA pursuit for Section 2 of the Purple Line extension. Measure R Expansion Rail Vehicles are included in this group to support the agency's service expansion needs for the Expo II and Foothill project openings as well as the future rail project openings.

B. **State of Good Repair - $356 million:**

1) **Asset Improvements & Maintenance (AIM) Program - $286 million:** Focuses on maintaining Metro assets in a state of good repair. This budget will support Metro Bus replacements including the 550 and 350 40 foot bus procurements, various Metro Blue Line Rehabilitations, bus and rail vehicle maintenance and component overhauls and a wide variety of continued facility improvements and maintenance projects. Including the Blue Line, this category also addresses improvements and maintenance projects across the other Metro lines including Green, Gold, Orange, Silver, Red and Purple lines.

2) **Safety / Security - $46 million:** “Safety / Security” projects are capital assets that provide a distinct safety or securitization benefit to Metro and/or its patrons. Projects in this grouping include the Universal City Pedestrian Bridge, the Pedestrian Underpass at North Hollywood and Metro Blue Line Pedestrian swing gates.

3) **New Assets and Closeouts - $24 million:** “New Assets” are capital project construction and installations where none previously existed. This includes enhancements to Bus and Rail operations or the customer experience using Technology improvements, Sustainability Installations, New Bicycle facilities or other improvements. Lastly, capital project closeouts are captured in this grouping.
The chart below depicts the FY16 $356 million budget plan by mode for the supporting State of Good Repair efforts.

<table>
<thead>
<tr>
<th>State of Good Repair by Mode (dollars in millions)</th>
<th>Safety &amp; Security</th>
<th>Asset Improvement &amp; Maintenance</th>
<th>New Assets &amp; Closeouts</th>
<th>Mode Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rail</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blue Line</td>
<td>$14.1</td>
<td>$25.2</td>
<td></td>
<td>$39.3</td>
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<tr>
<td>Gold Line</td>
<td></td>
<td>1.3</td>
<td>1.4</td>
<td>2.7</td>
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<tr>
<td>Green Line</td>
<td>1.4</td>
<td>2.1</td>
<td></td>
<td>3.5</td>
</tr>
<tr>
<td>Red/Purple Line</td>
<td>12.5</td>
<td>15.9</td>
<td>1.1</td>
<td>29.6</td>
</tr>
<tr>
<td>Multiple Lines</td>
<td>1.2</td>
<td>40.4</td>
<td>2.9</td>
<td>44.5</td>
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<tr>
<td>Bus</td>
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<td>147.4</td>
<td>14.6</td>
<td>162.0</td>
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<tr>
<td>Systemwide</td>
<td>14.9</td>
<td>34.8</td>
<td>1.6</td>
<td>51.2</td>
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<tr>
<td>Bike</td>
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<td>1.2</td>
<td></td>
<td>1.2</td>
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<tr>
<td>Other</td>
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<td>18.4</td>
<td>1.3</td>
<td>21.7</td>
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<tr>
<td><strong>Total State of Good Repair</strong></td>
<td><strong>$46.1</strong></td>
<td><strong>$285.5</strong></td>
<td><strong>$24.0</strong></td>
<td><strong>$355.7</strong></td>
</tr>
</tbody>
</table>

FINANCIAL IMPACT

The FY16 Capital Program plan will be part of the balanced budget to be presented for Board decision in May 2015.

ALTERNATIVES CONSIDERED

The annual budget serves as the legal authority to obligate and spend funds. Failure to adopt the budget would severely impede Metro’s stated goal of improving transportation in Los Angeles County.

NEXT STEPS

Budget coordination efforts will continue with Board members and Board staff through May 2015 when OMB will seek to adopt an FY16 budget. Prior to May, public outreach is also planned to solicit comments on budget information which will be posted to various social media outlets such as the Source and various transit related committees. Board members and Board staff will be briefed with additional information as it becomes available in the preceding months prior to the request for FY16 budget adoption.

ATTACHMENTS

NONE
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Arthur T. Leahy  
Chief Executive Officer