

FY25 Budget Development Update

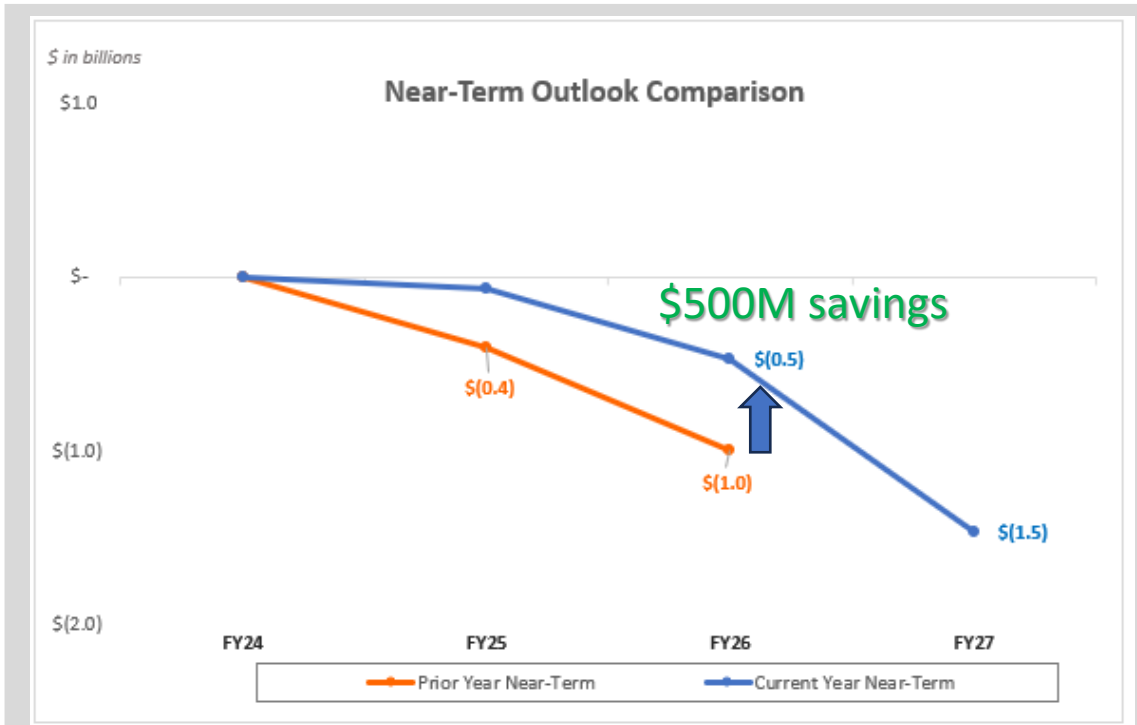
- Near-Term Outlook Update
- EZBB Efforts Underway
- Public Outreach & Next Steps

Finance, Budget & Audit Committee

January 17, 2024

Update to Near-Term Outlook and Financial Challenges Ahead

Metro's Objective: Develop a balanced, Board priority-driven FY25 Budget proposal for adoption in May 2024



Reduced FY26 cumulative deficit by \$500M through:

- ✓ Higher revenues realized in FY23 than anticipated
- ✓ Optimizing cash flow
- ✓ Cost control through tangible EZBB savings

- Although the FY26 outlook has improved from twelve months ago, a financial deficit (operating and capital) remains at \$1.5 billion by FY27
 - Metro Transit Operations (\$555M) due to growing transit costs
 - Metro Transit Capital Improvement Program (CIP) (\$915M) due to electrification efforts
- Financial Challenges persist due to:
 - Exhaustion of one-time federal stimulus funding that was used to balance budgets the last three years
 - Operating costs projected to grow faster than operating revenues
- Long term sustainability remains a concern as the financial gap is anticipated to exacerbate beyond FY27
- Through the Equitable Zero-Based Budgeting (EZBB) process, continuous cost control actions are still necessary and relevant to mitigate early

EZBB Attainments and Efforts Underway

- Metro continues to utilize the EZBB process to strengthen cost controls and balance the budget by:
 1. Reviewing the Near-Term Economic factors (controllable and non-controllable)
 2. Breaking down the cost drivers by urgency and root cause, and create tailored-made cost mitigation plans
 3. Instilling a priority-driven zero-based review based on milestone achievements and program/project performance (i.e., evaluation of Bike program and Metro Micro in the annual budget development)
 4. Sharing the financial risk and responsibility with CEO/Cabinet and Board of Directors through innovative cost control solutions such as:



- ✓ Rail line service restructure at C and K line to enhance rider travel experience, generating an estimated \$10 million savings, reinvested to improve cleaning and safety
- ✓ Next Gen service improvement with no additional bus fleet or capital costs, creating significant savings
- ✓ North San Fernando Valley BRT improvement to the rider experience on seven existing transit lines
- ✓ Early Intervention Team (EIT) objective to stay close to initial life of project (LOP)

WE ARE HERE



October 2023

- > **CEO's Telephone Town Hall**
Over 3,600 participants

November 2023

- > Launch My Metro Budget Activity
Available in 9 language

December 2023

- > Community group engagement – My Metro Budget physical marketing cards to:
- > GoPass, LIFE, On The Move Riders Program, Metro Youth Council, Metro Station Staff

January 2024

- > Social Media launch of My Metro Budget Activity
- > Outreach to Equity Focus Communities

February 2024

- > Regional Service Councils – Budget Briefings in all Regions

March 2024

- > **CEO's Telephone Town Hall**
- > Community Advisory Committee (TBD)

April 2024

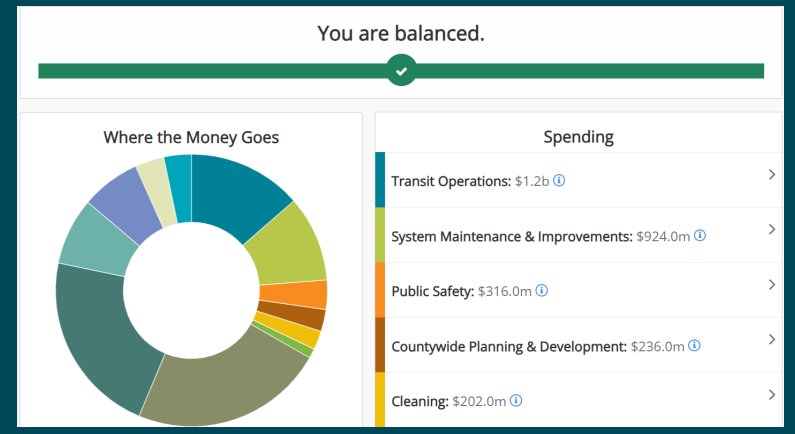
- > San Gabriel Valley COG
- > Bus Operators Subcommittee
- > Regional Service Councils, Budget Briefing
- > Streets & Freeways
- > Community Advisory Council (TBD)
- > Gateway Cities COG
- > Westside Cities COG

May 2024

- > Technical Advisory Committee
- > Valley Industry & Commerce Association
- > Local Transit Systems Subcommittee
- > Accessibility Advisory Committee
- > San Gabriel Valley COG
- > **Budget Public Hearing**

Enter to win a \$50 gift card or a TAP card with one year of free rides by helping Metro shape its budget!

Visit mybudget.metro.net/card or scan the QR code below to participate by the end of May 2024.



> Note: Updated as additional meetings are scheduled.
 > Ongoing Public Participation



Schedule & Next Steps



- Near-Term Update
- EZBB Attainments and Efforts Underway
- FY25 EZBB Development Process and Schedule
- Public Outreach and Engagement



- Sales Tax Forecast, Resources Assumptions
- Cost Inflation Estimates



- Transit Infrastructure
- Multimodal Hwy Investments
- Regional Rail
- Regional Allocations & Pass-Throughs



- Metro Transit - Operations & Maintenance (O&M) and Capital Improvement Program (CIP)
- Congestions Management
- Planning & Administration



- Consolidated Agency-wide Expenses & FTEs
- Proposed Budget Book published on April 30th, 2024
- Public Hearing on May 15th, 2024
- Final Board Adoption on May 23rd, 2024