

FY25 Budget Development Status Update

Finance, Budget & Audit Committee Meeting

February 14th, 2024



Metro

Metro's Major Resources



- Metro heavily relies on sales taxes, typically two-thirds of Metro's resources.



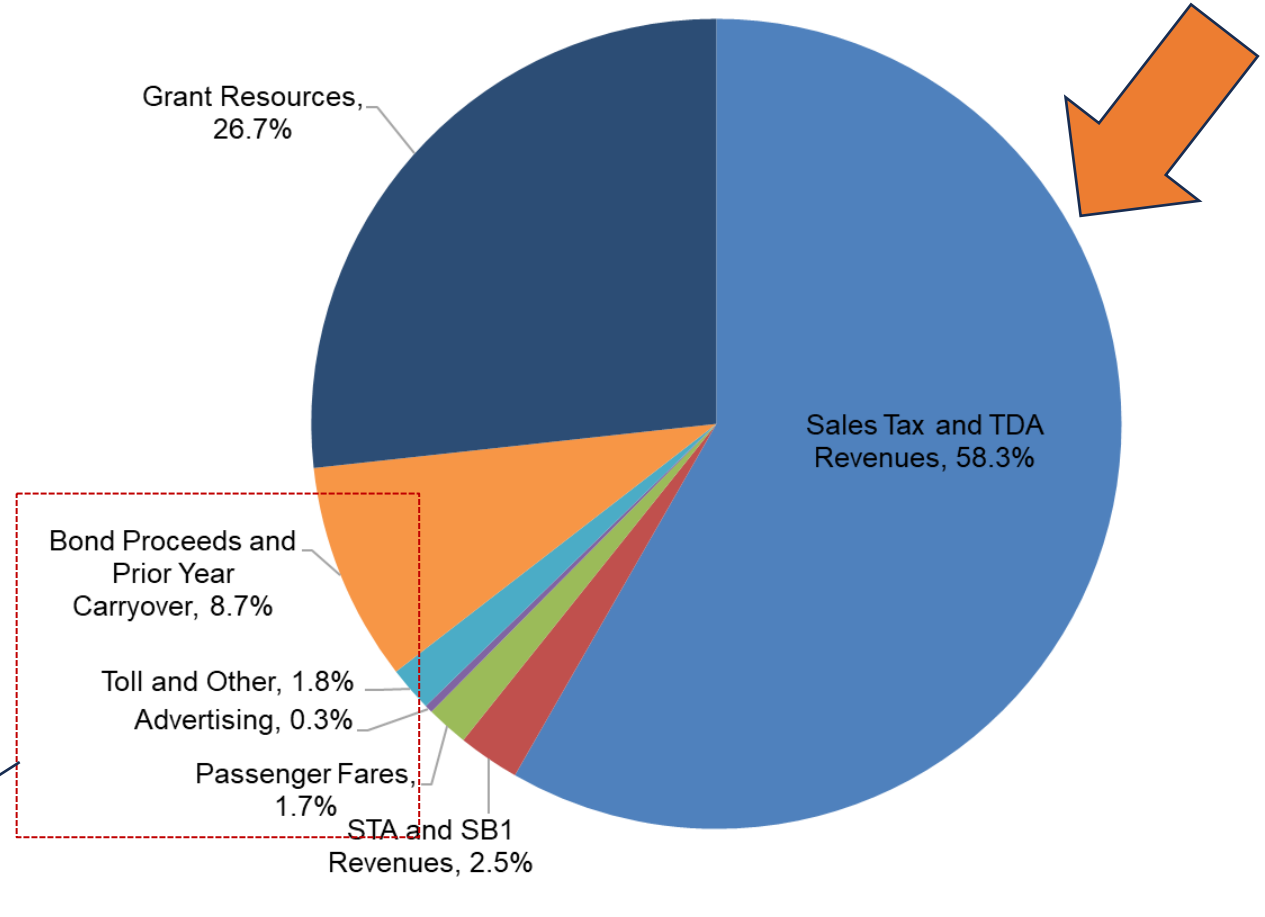
- Metro's local sales tax ordinances: voter approved directives on how each sub-fund should be spent
 - Propositions A & C
 - Measures R & M



- Focus on forecasting sales tax revenues (primary revenue source)

Board Policy

FY24 Resources



**For illustrative purposes, FY24 Reforecast is being shown as Grants & Bond Proceeds are still underdevelopment.*



Metro

FY25 Resources Summary



- FY25 Sales tax revenue increased 2.0% (\$1.13 billion to \$1.15 billion per ordinance in FY25).



- STA and SB1 will be updated in mid-February 2024.



- Passenger fares estimated at \$172.5 million (preliminary). FY24 estimated actuals at \$164.3M.



- Advertising revenue projected at \$27.2 million (preliminary).



- Toll and Other revenue estimates projected to increase due to increased toll usage and fine revenue.

Resources (\$ in Millions)	FY24 Reforecast	FY25 Assumption	% Change
1 Sales Tax and TDA Revenues	\$ 5,098.5	\$ 5,202.0	2.0%
2 STA and SB1 Revenues	214.6	236.9	10.4%
3 Passenger Fares	146.8	172.5	17.5%
4 Advertising	27.7	27.2	-1.6%
5 Toll and Other	156.3	167.5	7.1%
6 Subtotal Resources	\$ 5,643.9	\$ 5,806.1	2.9%
7 Grant Resources	2,338.9	TBD	
8 Bond Proceeds and Prior Year Carryover	764.2	TBD	
9 Total Resources	\$ 8,747.1	TBD	



- Grant Resources: FY25 estimates are TBD
- Bond Proceeds and Prior Year Carryover:
 - Debt will be used as a last resort and will be determined as budget is developed
 - Prior year carryover will adhere to funding eligibility



Cost Inflation – Consumer Price Index (CPI)

Annual Change in Consumer Price Index (CPI)

Forecast Source	FY19	FY20	FY21	FY22	FY23	FY24 Reforecast	FY25 Preliminary
1 Actual	3.40%	2.48%	1.98%	6.54%	5.43%	2.15% ⁽¹⁾	
2 Metro	2.25%	2.28%	2.30%	2.00%	3.30%	3.71%	3.00% ⁽²⁾
3 UCLA	2.42%	2.60%	2.19%	1.68%	3.78%	3.71%	3.82%
4 Beacon Economics	2.15%	1.83%	2.30%	2.07%	3.86%	2.36%	2.32%

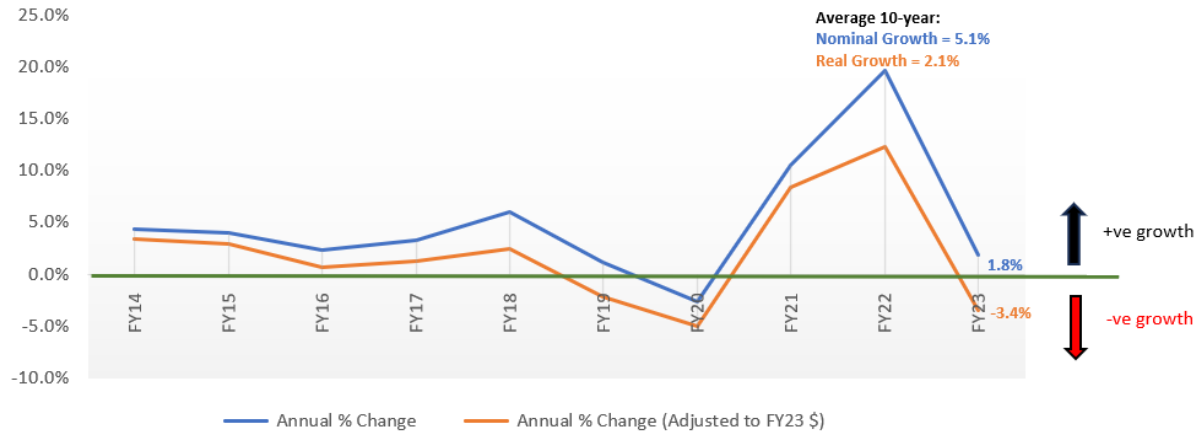


⁽¹⁾ Reforecasted figure based on FY24 YTD actual. FY24 Adopted Budget is 3.71%.

⁽²⁾ FY25 preliminary assumption.

- Inflation is still high but cooling.
- Forecasting Agencies CPI range: **2.32%-3.82%**
- CPI impacts sales tax revenues and project delivery costs for Metro.
- Sales tax growth in past decade is primarily due to inflation.

Sales Tax Growth Trend Analysis



CONCLUSION

- Metro FY25 projects: **3.0% CPI** (Within range of forecasting agencies)
- CPI of 3.0% is outpacing the projected sales tax revenue growth of 2.0%

FY24



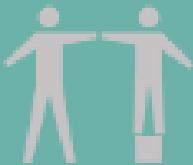
1,200+ Respondents



2,200+ Comments



18.25 Min. Average Time Spent on Activity



44% EFC Response Rate

FY25*



2,900+ Respondents

+1,700 increase



2,400+ Comments

+200 increase



20 Min. Average Time Spent on Activity

+1.75 min increase



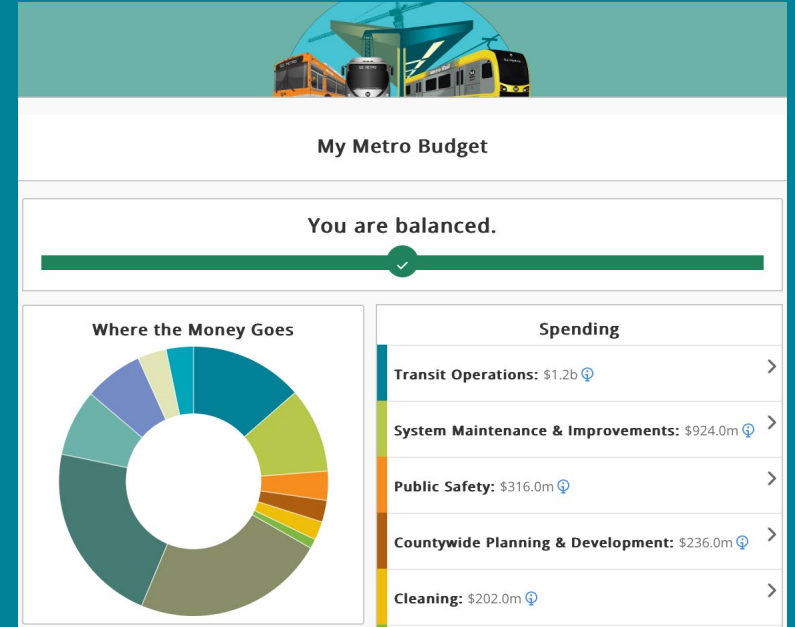
45% EFC Response Rate

+1% increase

*Responses to Date

**FY24 Collection period:
November 2022 - May 2023**

***FY25 Collection period:
December 2023 - January 2024**



***Engagement at the base level increased early, still collecting feedback**

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