

FY22 Budget Development Update

Finance Budget and Audit Committee
February 17th, 2021



Metro[®]

Budget Process & Schedule Timeline

Month Topic



February **FY22 Budget Development Process**

- Budget Process and Schedule
- Sales Tax Forecast, Resources Assumption
- Cost Inflation Estimate
- Stakeholder Outreach Plan
- Other Expense Assumptions

March **Infrastructure Planning & Construction**

- Transit System: Rail, Rapid Transit
- Highway
- Regional Rail

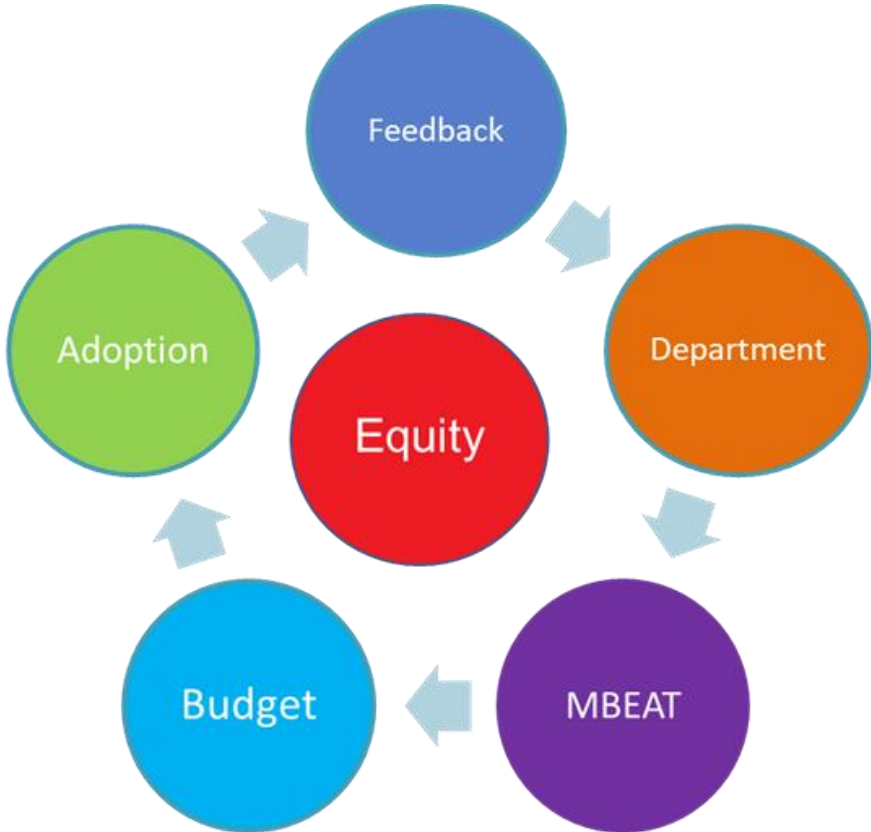
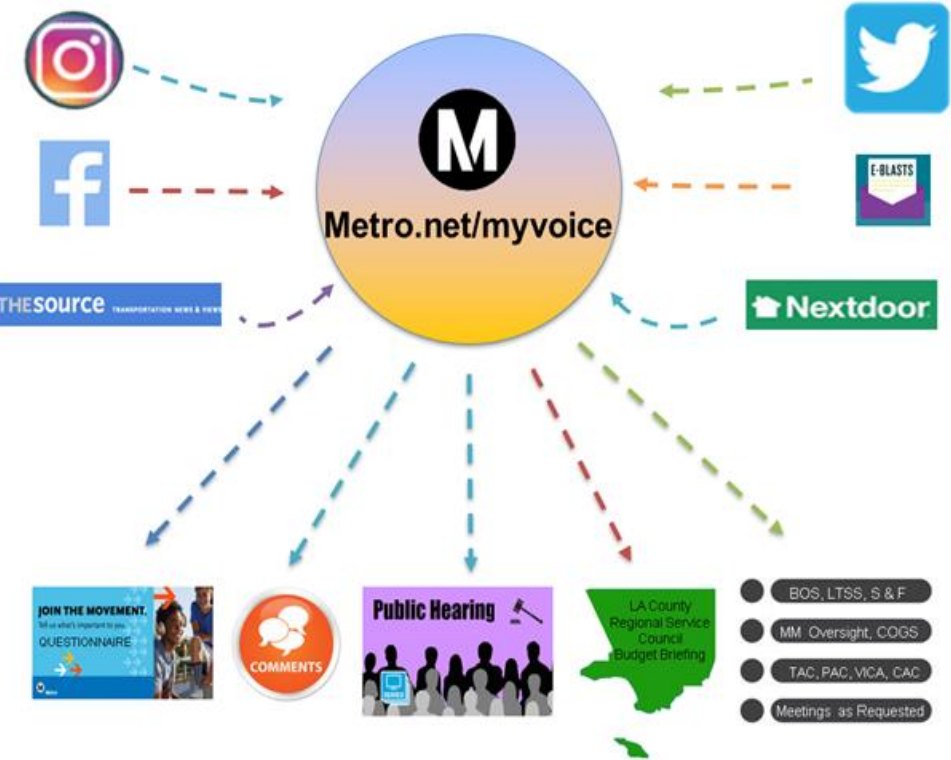
April **Transit Operations, Metro State of Good Repair (SGR), Regional Subsidy & Other Operating Programs**

- Metro Transit – Operations & Maintenance Expense
- Metro Transit – State of Good Repair
- Subsidy Funding
- Other Operating Programs

May **FY22 Budget Adoption (Planned)**

- Consolidated Agency-wide Expenses and FTEs Budget Proposal
- Public Hearing on May 19, 2021
- Summary of Public Comment and Stakeholder Review
- Final Board Adoption on May 27, 2021

FY22 Budget Outreach - Activities & Equity

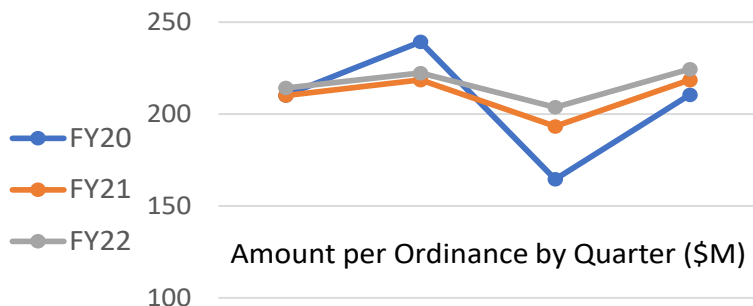


FY22 Resources – Sales Tax Assumptions

FY22 Sales Tax Revenue Projection by Economic Sector by Quarter, based on Year-over-Year Quarterly Growth

	Q1Δ	Q2Δ	Q3Δ	Q4Δ
General Retail	1.2%	1.1%	3.8%	1.9%
Apparel Stores	3.5%	1.1%	7.8%	1.9%
Department Stores	0.6%	0.9%	2.9%	1.5%
Furniture/Appliance	0.7%	1.0%	4.4%	1.6%
Drug Stores	1.4%	2.0%	3.8%	3.4%
Recreation Products	0.6%	0.8%	4.4%	1.4%
Florist/Nursery	0.5%	0.7%	4.1%	1.1%
Miscellaneous Retail	0.6%	1.4%	1.8%	2.3%
Food Products	2.4%	1.6%	8.9%	2.6%
Transportation	1.4%	2.3%	5.4%	1.7%
Construction	3.1%	2.5%	4.1%	3.3%
Business To Business	2.4%	1.9%	5.0%	2.7%
Miscellaneous	2.3%	2.5%	3.7%	2.4%
Total	1.9%	1.8%	5.4%	2.7%

- COVID-19 restrictions will still be in place at the start of the fiscal year in July and gradually be lifted over the first two quarters as vaccination rates increase;
- Stimulus funds from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) will indirectly increase sales tax revenues in the same way CARES Act funding did;
- As businesses continue to adapt, underlying economic growth will continue at a gradual pace;
- Growth will accelerate in the third quarter as most businesses reopen and people start going out more;
- Overall year-over-year growth for FY22 is projected to be 2.9%.



FY22 Preliminary Estimate of Resources

- Total Sales Tax and TDA revenues will be \$3.89B.
- Tolls, Advertising, and Other Revenues increase 49.7% to \$164.1M.
 - Toll revenues: \$44.6M in ExpressLanes usage and violation fees from the existing I-10, I-110
 - Advertising revenue: \$24.1 million based on new and existing contracts
 - Other revenues: \$95.2M including bike program, Union Station, park and ride, lease, film, SAFE, auto registration fees, transit court fees, federal CNG tax credits, investment income, etc.
- Passenger fares under development but are assumed to grow with boardings as vaccination rates increase and the economy begins reopening.
- CRRSAA allocations for Los Angeles County are yet to be determined.
- Estimates for FY22 STA/SB1, Grant and Bond Proceeds and Prior Year Carryover will be updated when information is available.

	FY20 Adopted	FY21 Midyear	FY22 Assumption	% Change
1 Sales Tax and TDA Revenues	\$ 3,928.5	\$ 3,783.6	\$ 3,892.5	2.9%
2 Toll, Advertising and Other	155.3	109.6	164.1	49.7%
3 Subtotal Resources	\$ 4,083.8	\$ 3,893.2	\$ 4,056.6	4.2%
4 Passenger Fares	\$ 284.5	\$ 22.2	TBD	
5 CARES/CRRSAA	-	569.6	TBD	
6 STA and SB1 Revenues	245.9	183.6	TBD	
7 Grants Resources	1,184.8	1,138.9	TBD	
8 Bond Proceeds and Prior Year Carryover	1,408.6	1,184.8	TBD	
9 Total Resources	\$ 7,207.6	\$ 6,992.3		

Labor and Cost Inflation

Major cost drivers are Labor and Cost Inflation, assuming all programs are continuing as usual:

- Wages will increase from FY21 to FY22 as follows:
 - a) **Represented (Union)**
 - *Per the Collective Bargaining Agreements*
 - *Labor costs will adhere to existing contracts*
 - b) **Salary increases for Non-Contract TBD**
- Fringe benefit increases as approved by the Board annually
- Voluntary Separation Incentive Plan (VSIP) 50% savings per Board approval
- Cost inflation is projected to increase by 2.0%, as measured by CPI

Annual Change in Consumer Price Index (CPI)

Forecast Source	FY17	FY18	FY19	FY20	FY21	FY22
Actual	2.10%	3.48%	3.40%	2.48%	2.30% *	
Metro	1.85%	1.75%	2.25%	2.28%	2.30%	2.00%
UCLA	2.70%	2.78%	2.42%	2.60%	2.19%	1.68%
Beacon Economics	1.98%	2.00%	2.15%	1.83%	2.30%	2.07%

* Preliminary based on FY21 adopted budget