

### FISCAL YEAR 2026 BUDGET DEVELOPMENT PROCESS

#### **Near-Term Forecast Update and Assumptions on Cost Growth Drivers**

The Agency's Near-Term Outlook through FY30 includes continued cost growth in Metro Transit O&M and CIP in the following areas:

##### **Public Safety**

- In response to societal issues that have caused violence and criminal activity within the Metro bus and rail system—resulting in fatalities, injuries, and increased safety concerns for riders and frontline employees—the Metro Board of Directors took decisive action by introducing Metro Public Safety Surge Board Motion 31 on May 23, 2024.
- In June 2024, in line with the In-House Public Safety Implementation Plan Board Motion 21.1, the Metro Board approved the establishment of the Transit Community Public Safety Department (TCPD). With TCPD, law enforcement costs are trending down as a percentage of total public safety costs.
- In response to Board Motion 34.1, and ongoing commitment to enhancing public safety, Metro is expanding its strategies by investing in a new pilot for taller fare gates, expanding the current TAP-to-Exit pilot, and launching a pilot for concealed weapons detection system.

##### **Cleanliness and Station Experience Expansion**

- Metro remains steadfast in its commitment to upholding the highest standards of cleanliness and has made a substantial investment to bolster its cleaning operations, including the recruitment of custodial and facilities maintenance staff and increasing the frequency of cleanings.
- The Agency has expanded several of its Station Experience strategies and made several key enhancements including improvements in lighting, ventilation, fare gates, surveillance systems, elevators, escalators, and restroom facilities.
- Technological innovations are also implemented, including Intelligent Cleaning Equipment (ICE) auto-scrubbers, Elevator Open Door Program, classical music on platforms, testing commercial-grade vacuum cleaners for track maintenance, and piloting the use of bear-resistant trash receptacles.

##### **System Expansion**

- As part of Metro's growing system expansion, the LAX/Metro Transit Center is scheduled to open soon, offering customers transit access to LAX in two phases: (1) the launch of a new Aviation/Century station and (2) reconfiguration of the C Line and K Line. Additionally, a new security facility, Metro Center, is ramping up to be fully operational.

## **Attachment A**

- At the July 2024 Board meeting, the Board approved amending the FY25 Budget to add Full-Time Equivalent (FTE) positions to support the LAX/Metro Transit Center and support the systemwide security services at Metro Center.
- Given the expanding system – at least one major rail opening annually leading up to the 2028 Games which assumes additional resources and staff will be needed to support these efforts.

### **Labor Costs**

- Throughout 2024, staff facilitated workshops for Labor and Management to discuss mutual interests, foster collaboration, and engage in contract negotiations with four of the five unions (ATU, TCU, AFSCME and TEAMSTERS).
- As a result, the FY25 Budget was amended to reflect the finalized four collective bargaining agreements (CBAs), which includes an average annual salary increase of 4.4% over the five-year term, along with a 0.25% quarterly wage adjustment each year. Health and welfare benefit increases are also incorporated by the contract terms.

### **WC, PLPD and Insurance Market Premiums**

- Workers' Compensation (WC) Division partnered with Bus Operations, Corporate Safety, and the Return-to-Work Program, prioritizing meetings with divisions experiencing high volume of claims, effective December 2023, highlighting discussions around claims investigations, Transitional Duty Program enhancement, and Safety Specialists' visibility at divisions.
- The Return-to-Work program has enhanced transitional duty opportunities. Corporate Safety has increased visibility at the divisions, is attending Local Safety Committees, and promotes a wide array of Safety programs, including de-escalation training and bus barrier retrofits.
- To mitigate the cost of insurance driven by the hard market, Metro has issued a Request for Proposal (RFP) for insurance services, allowing Metro to test the market to ensure it receives the most competitive rates.

### **Zero-Emissions Bus (ZEB) and Infrastructure**

- Recently, Metro released a Request for Proposal (RFP) to procure 1,980 zero-emissions buses (ZEBs), marking the largest ZEB order in U.S. history. This initiative is a key component of Metro's goal to achieve a fully zero-emission fleet by 2035, which will require a minimum investment of \$2.1 billion in both buses and charging infrastructure over the next few years.
- New zero emission bus acquisitions and supporting infrastructure development will proceed as available industry infrastructure, manufacturing capacity, available technology, and funding permit.

## **Attachment A**

- In response to the Zero Emission Buses Motion 31.1 Metro staff provides quarterly updates to the Board of Directors on electrification efforts with revised forecasts

### **Major Capital Project Risks**

The Agency still faces ongoing cost escalations in its major capital projects with scope modifications, schedule changes and project close-out risks and will continue to conduct project reviews to mitigate these challenges. Due to these cost escalations with lower sales tax received vs. ordinance projections, we are seeing a financial gap in the Transit Infrastructure Development (TID) program. Metro may be able to mitigate a portion of the gap by issuing debt within debt capacity limits. However, there remains the risk of drawing down operational eligible funding which impacts bus and rail service.