

# FY24 Budget Development Update

Finance, Budget and Audit Committee

January 18, 2023

# Near Term Forecast Update

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- COVID-19 constrained operating resources creating Affordability Gap partially mitigated by federal stimulus (*similar to other transit agencies across the nation*)

Affordability Gap shows slight improvement from twelve months ago, but financial challenges still exist in the near-future starting in FY25:

- Sales Tax revenues growing due to economic recovery and higher inflation, however cannot replace the permanent revenue lost at the start of pandemic
- Loss of federal stimulus funding in FY24
- Expenses rising due to:
  - Electrification efforts
  - New rail lines opening
  - New initiatives
- Long term sustainability remains a concern
- Cost control mitigations are still necessary and relevant

# EZBB and Financial and Cost Management

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- Continue Equitable Zero-Based Budgeting (EZBB) that began in FY23 into FY24 as a cost control tool
- Task forces were established in FY23 and continue to undergo a deep dive on expenses and searching for optimal cost mitigation strategies
- Metro Transit Task forces focused on delivering a more optimal service design as well as conducting bus and rail cost analyses to identify cost saving opportunities
- Capital Program Task Force evaluated policies along with internal processes and introduced the Early Intervention Team advancing actions on several capital cost mitigation steps

# FY24 Revenue & Cost Price Index (CPI) Preview

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## Revenue

- FY24 Assumption in \$1.20B to \$1.28B range
- Economic growth is anticipated to normalize in FY24 resembling pre-pandemic patterns
- Outside economic forecasting sources signal of a possible recession in FY24 as interest rates rise

## CPI

- Expected to stabilize from recent highs and settle in a range of 3.40% to 3.90%
- Historical trends, recent year's high inflation, and leading regional forecasts are considered when estimating cost inflation

**Metro will continue to monitor and update in next month's budget board report**

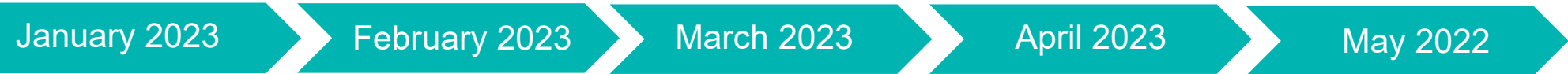
# Public Outreach & Stakeholder Engagement



- October 2022**
  - **Telephone Town Hall**
  - Launch My Budget Tool  
*Available in 9 Languages*
- November 2022**
  - Social Media launch My Metro Budget Marketing
- December 2022**
  - **EFC engagement** for My Metro Budget – physical marketing cards



WE ARE HERE



- January 2023**
  - **Telephone Town Hall**
  - Regional Service Council Budget Briefing
- February 2023**
  - Community Advisory Council - Tentative
- March 2023**
  - Community Advisory Council
  - **Telephone Town Hall**
  - Policy Advisory Council
- April 2023**
  - San Gabriel Valley COG
  - Bus Operators Subcommittee
  - Regional Service Council, Budget Briefing
  - Streets & Freeways
  - Community Advisory Council – General
- May 2022**
  - Technical Advisory Committee
  - Valley Industry and Commerce Association
  - Local Transit Systems Subcommittee
  - San Gabriel Valley COG
  - Bus Operators Subcommittee
  - Accessibility Advisory Committee
  - **Budget Public Hearing**



Note: Updated as additional meetings are scheduled.



ONGOING PUBLIC PARTICIPATION

# Schedule & Next Steps



- Near-Term Update
- FY24 EZBB
- Prelim. Sales Tax & CPI Forecast
- Public Outreach & Engagement



- Sales Tax Forecast, Resources Assumptions
- Cost Inflation Estimates
- Other Expense Assumptions



- 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
- Public Hearing
- Board Adoption