

FY24 Budget Development Update

Finance, Budget and Audit Committee

January 18, 2023

Near Term Forecast Update



- 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



- 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

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

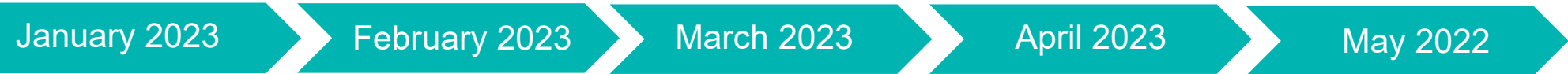
Public Outreach & Stakeholder Engagement



- 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