## **Budget Update**

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Measure M Independent Taxpayers Oversight Committee

March 1, 2023

## **FY22 Budget Results**

TO TECKETING & TRAINS

### FY22 Budget vs. Actual Expenditures (Audited)

	In thousands ('000)					
FY22 Measure M Budget vs Actuals	FY22 Budget		FY22 Actuals		Variance	
Bus Operations	\$	121,523	\$	121,523	\$	-
Capital		29,182		10,840		18,342
Major Construction		269,410		440,052		(170,642)
Planning, Administration & Oversight		186,655		51,992		134,663
Rail Operations		42,601		46,135		(3,534)
Reimbursement (Federal Recovery Grants)		_		(414,511)		414,511
Metro Subtotal	\$	649,371	\$	256,031	\$	393,340
Subsidies to External Agencies	\$	316,136	\$	327,855	\$	(11,719)
Metro & External Subsidies Total	\$	965,507	\$	583,886	\$	381,621



# FY24 Budget Development

## **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
- $\circ~$  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

#### <u>Revenue</u>

- 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

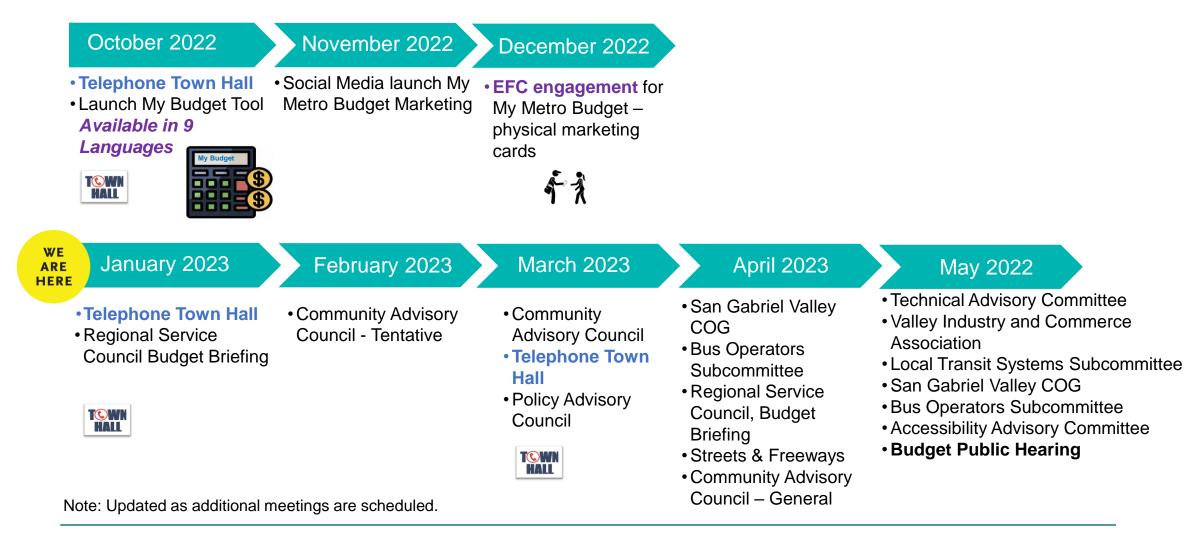
#### <u>CPI</u>

- 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







### **Schedule & Next Steps**

