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

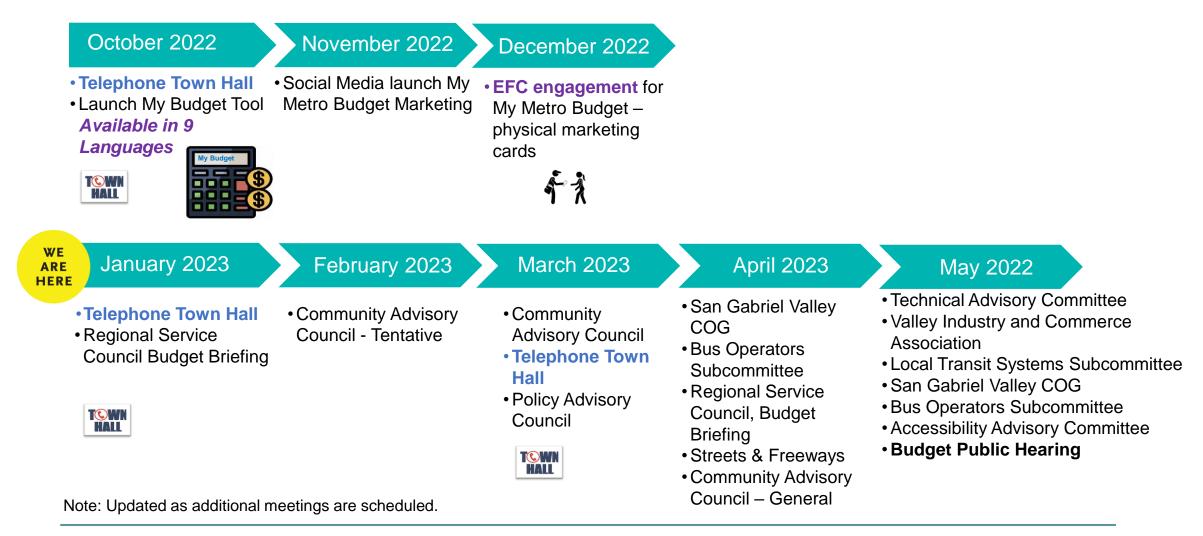
<u>CPI</u>

- 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

