Item #14

FY24 Budget Development Status Update

Metro

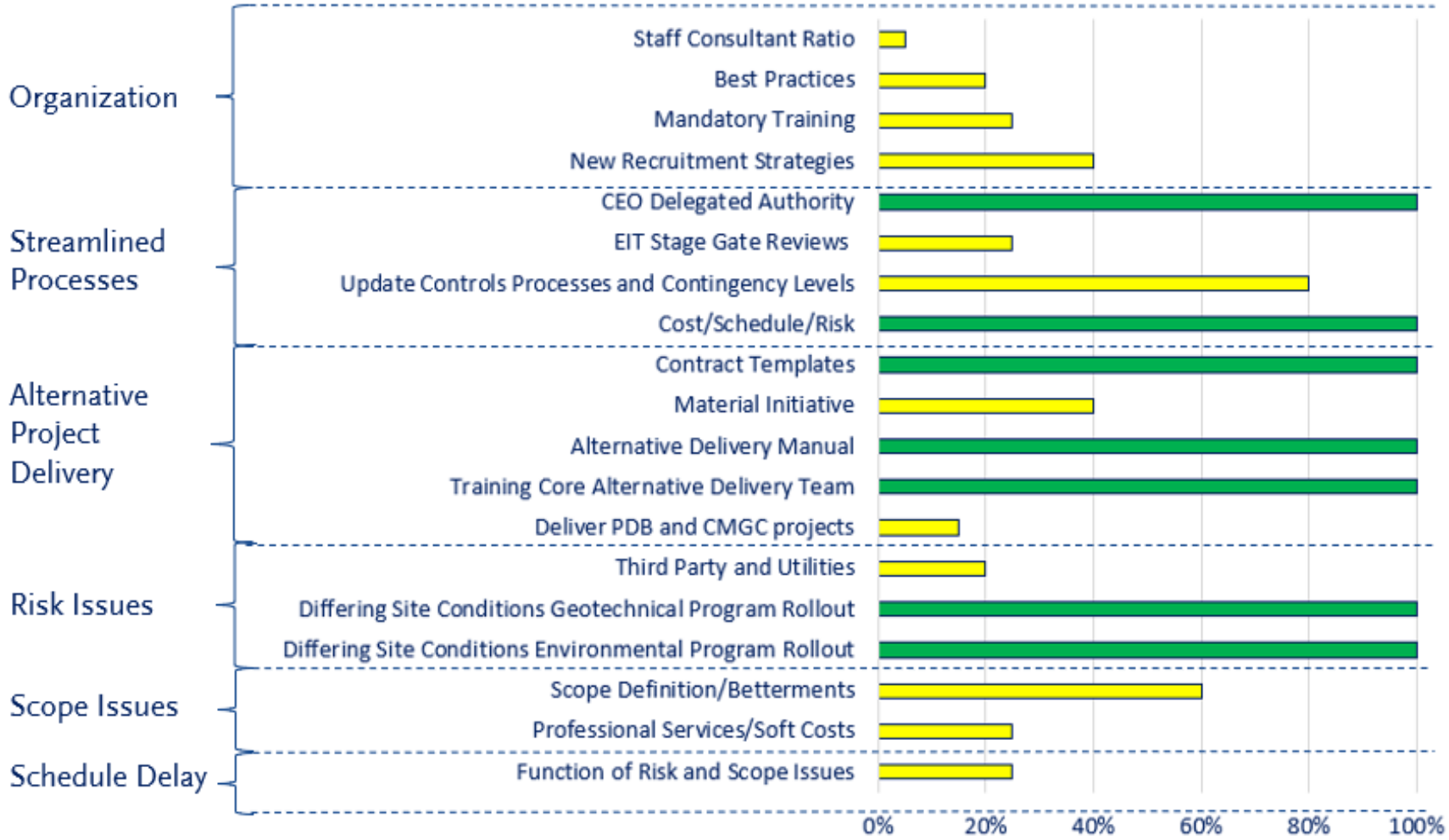
Finance, Budget and Audit Committee
March 15th, 2023

Near-term Financial Challenges & EZBB Cost Controls

- **Near-term Financial Challenges:**
  - Measure R and Measure M receipts totaling 13% below ordinance projections
  - Grants are not always awarded and include operational and local funding requirements
  - New debt issuance used as last resort as subject to maximum bonding capacity and may impact operations available funding
  - Facing higher bid prices and higher cost of construction material
  - Project cost overruns with no new or dedicated funding take away funding available

- **Cost controls through the Equitable Zero-Based Budgeting (EZBB) process**
  - Early Intervention Team (EIT): Improve on-time, on-budget capital program delivery by encouraging collaboration across departments and introducing cost control strategies across the full project life cycle for LA Metro's capital program
  - Metro is implementing strategic initiatives and mitigation measures such as evaluating the consultant to staff ratio and upgrading contract templates

Progress on FY23 Strategic Initiatives and Mitigation Measures



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Context on LA Metro's Early Intervention Team (EIT)

Reminder of the EIT's purpose:

Improve on-time, on-budget capital program delivery by encouraging collaboration across departments and introducing cost control strategies across the full project life cycle for LA Metro's capital program

Recall: Overview of October Board update

- EIT launched as a cross-functional team in July 2022 and has met at least twice a month to improve overall capital program and specific project performance
- EIT was focused on developing a comprehensive set of targeted cost control questions and creating the EIT Project Review Process to share executive cross-functional feedback to improve project outcomes
- Since the October Board update, the EIT has conducted four EIT Project Reviews

Objectives for today

- Share the overall project cycle and how the EIT Project Review Process improves the likelihood of project success
- Discuss the types of critical actions being taken to improve project outcomes, given the integration of EIT feedback, using specific examples from completed EIT Project Reviews
- Outline the EIT's impact to date and proposed next steps

FY24 Major Infrastructure Investment & Regional Allocations

Transit Infrastructure Dev

$2,190.8M (-4.9%)

- Crenshaw & RC completed

Highway Multimodal Dev

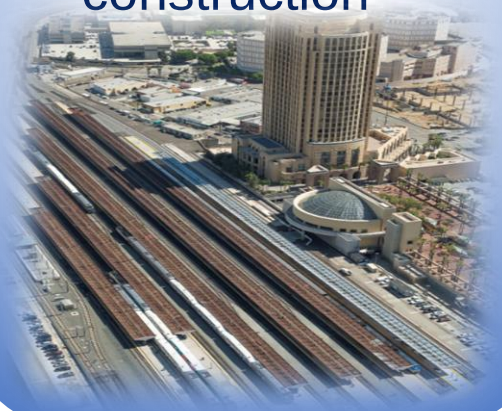
$606.3M (+4.7%)

- Increase in Express lanes

Metro Regional Rail

$158.5M (+8.4%)

- Projects transitioned to construction



Regional Allocations & Pass-Throughs

$2,064.1M (+8%)

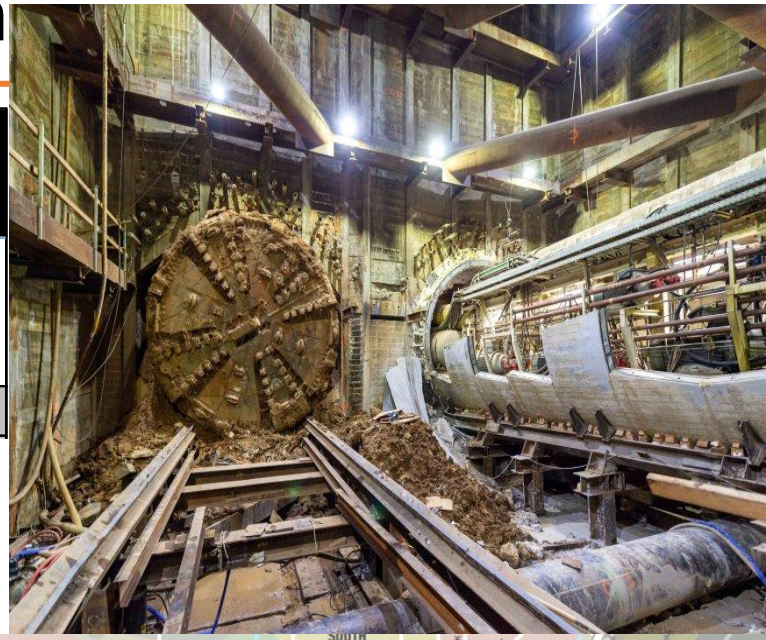
- Increase in sales tax

In FY23 the four programs account for 58.2% of total agency's budget:

Transit Infrastructure Development	Highway Multimodal Development	Metro Regional Rail	Regional Allocations & Pass-Throughs
26.5%	6.6%	3.3%	21.7%

Transit Infrastructure Planning and Construction

Summary ($ in millions)	FY23 Adopted	FY24 Preliminary	$ Change	% Change
Transit Construction	$ 2,116.0	$ 1,893.4	$ (222.5)	-10.5%
Transit Planning	172.2	277.7	105.6	61.3%
Program Support/Admin	16.0	19.6	3.57	22.3%
Grand Total	**$ 2,304.2**	**$ 2,190.8**	$ (113.4)	-4.9%



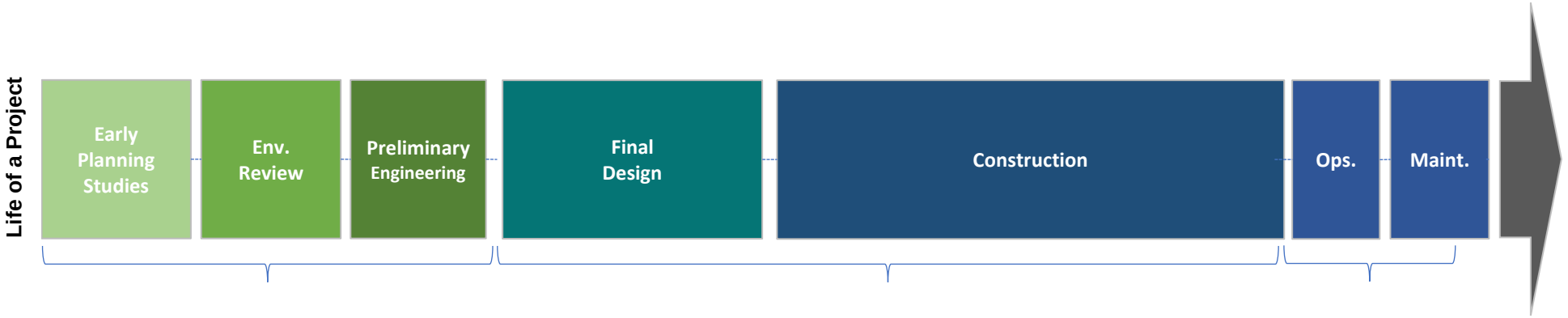
- Continue all major construction projects:
  - PLE Section 1, 2, 3 & support: 56% of construction budget
  - Foothill 2B, AMC, ESFV

- FY24 Budget $2.2B reflects $113M or 4.9% reduction from FY23:
  - Substantial completion of Regional Connector in FY23
  - Construction budget decreased to reflect realistic cash flow needs

- Planning studies increase $105.6M, 61.3%
  - Maintaining Measure M schedules for projects currently funded in LRTP or grant funded.
  - Increased involvement of construction group
  - BRT studies

- Program Support & Admin
  - Business Solution Center

Transit Infrastructure Planning and Construction Projects



Transit Planning ($ in millions)	FY24 Preliminary
Broadway BRT	$ 4.0
BRT Connector B/G Line to L Line	60.3
C (Green) Line South Bay	44.1
Crenshaw Northern	18.4
Eastside Access	5.3
Eastside Extension	22.4
North San Fernando Valley BRT	3.3
Sepulveda Corridor	71.3
SGV Feasibility Study	2.2
Vermont Transit Corridor	8.1
West Santa Ana Branch Corridor	38.3
TID Planning Total	**$ 277.7**

Transit Construction ($ in millions)	FY24 Preliminary
Airport Metro Connector	$ 177.7
D (Purple) Line Extension	1,064.7
East San Ferando	288.4
Expo Closeout	6.0
G (Orange) Line BRT	74.5
K Line (Crenshaw/LAX) Light Rail Transit	43.1
L (Gold) Line Foothill Ext 2A & 2B	220.3
Regional Connector	18.8
Transit Construction Total	**$ 1,893.4**

Multimodal Highway Program ($606.3m)

Bus Improvements

$14.8m

+$3.6m (33%)

Capacity Improvements

$186.3m

-25.5m (-12%)

Express / HOV Improvements

$101.5m

+37.7m (59%)

General Planning

$12.7m

+3.4m (37%)

Local Subregional Improvements

$266.9m

+5.2m (2%)

Traffic Noise Reduction & Property Maintenance

$24.1m

+2.5m (12%)

Overview:

- Increase in ExpressLane investments driven by the I-105 ExpressLane project.
- Other increases include dedicated bus lane and noise reduction investments.
- A decrease in Capacity Improvement investments as construction continues for legacy projects. New expansion projects (710N/S) are transitioning to Mobility Improvement Projects nominated by local municipalities under the "Local Subregion" subprogram.

Regional Rail ($158.5m)

Link Union Station:

- Complete ROW Acquisition
- Procure CM/GC contract

$96.6M
+$4.7m (5.1%)

Grade Separation Projects:

- Rosecrans: Full Construction.
- Doran St: Interim Improvements construction

$39.5M
-$.8m (-2%)

Double Tracking Projects:

Brighton to Roxbury and Lone Hill to CP White in final design

$16M
+$6.1m (62%)

High Desert Corridor Rail Service Plan and Other Metro Regional Rail Projects

$6.4M
+$2.3m (56%)

METROLINK

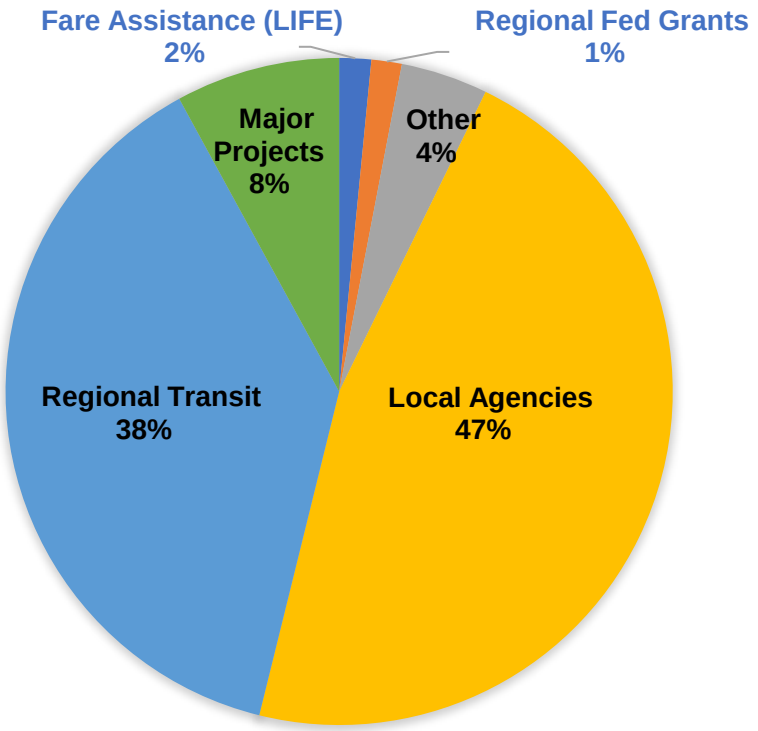
Metrolink's FY24 Budget is still under development and will be available upon receipt

Currently In Development

Overview:

- Double Tracking and Grade Separation projects transitioning from Final Design to Construction Phase
- High Desert Corridor moving from study phase to environmental / engineering phase.
- Metrolink subsidy still under development

Regional Allocations & Pass Throughs



Regional Allocations & Pass Throughs ($ millions)	FY23 Adopted	FY24 Preliminary	$ Change	% Change
Local Agencies	$ 822.4	$ 962.2	$ 139.9	17%
Regional Transit	692.5	788.3	95.8	14%
Major Projects	241.0	164.3	(76.7)	-32%
Other Local Programs	93.9	87.1	(6.7)	-7%
Regional Federal Grants	29.0	30.4	1.4	5%
Fare Assistance (LIFE)	30.3	31.9	1.6	5%
Total	**$ 1,908.9**	**$ 2,064.1**	**$ 155.2**	**8%**

(1) Excludes Funding Allocated to Metro Transit Operations

- 91% of funding passed through to transit operators & local jurisdictions per formula, federal guidelines, State law & Board policy
- Estimated 8% increase driven by higher projected sales tax
- Greatest increase within Local Agency Programs (17%) and Regional Transit (14%) and represents 85% of this program's budget

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Public Outreach & Stakeholder Engagement

October 2022

- **Telephone Town Hall**
- Launch My Budget Tool: distributed via social media, e-blast, QR codes, flyers

November 2022

- Social Media launch My Metro Budget Marketing

December 2022

- **EFC engagement** for My Metro Budget – physical marketing cards

January 2023

- **Telephone Town Hall**
- Regional Service Council Budget Briefing

February 2023

- Finalization of My Metro Budget data, feedback solicited from departments

WE ARE HERE

March 2023

- Community Advisory Council
- **Telephone Town Hall – Mar 28**

April 2023

- San Gabriel Valley COG
- Gateway COG
- Policy Advisory Council
- 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
- **South Bay COG (added)**
- Bus Operators Subcommittee
- Accessibility Advisory Committee
- **Budget Public Hearing**
- **Board Adoption**

Note: Updated as additional meetings are scheduled.

ONGOING PUBLIC PARTICIPATION

Schedule & Next Steps

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

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

MAR
- Transit Infrastructure
- Multimodal Hwy Investments
- Regional Rail
- Regional Allocations & Pass-Throughs

WE ARE HERE

APR
- Metro Transit - Operations & Maintenance (O&M) and Capital Improvement Program (CIP)
- Congestions Management
- Planning & Administration

MAY
- Consolidated Agency-wide Expenses & FTEs
- Proposed Budget Book
- Public Hearing
- Board Adoption