



Board Report

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**FINANCE, BUDGET AND AUDIT COMMITTEE
MAY 19, 2021**

SUBJECT: FY22 METRO BUDGET EQUITY ASSESSMENT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE update on FY22 Metro Budget Equity Assessment.

ISSUE

During the Executive Management Committee meeting on September 17, 2020, Director Garcetti requested that an Equity Assessment Tool be used to evaluate the FY21 Mid-Year Budget report as well as each Annual Budget moving forward. After an initial pilot application of the Metro Budget Equity Assessment Tool (MBEAT) (Attachment A) to 25 new or expanded scope budget requests during the FY21 Mid-Year Budget Review, the MBEAT was applied to the FY22 Annual Budget development process.

BACKGROUND

Metro believes that access to opportunity should be at the center of decision-making around public investments and services. Equity means that Metro's service delivery, project delivery, policymaking, and distribution of resources account for the different histories, challenges, and needs of communities across Los Angeles County; it is what we are striving towards.

After an unprecedented and extremely challenging year, it is clearer than ever that Metro must work to center equity in everything we do. As the region emerges from the pandemic and public health crisis, Metro's role in connecting all people in Los Angeles to daily life destinations remains critical. Centering equity means prioritizing the most marginalized communities, including those that continue to rely on Metro's essential service, as we conduct our essential work for the region.

Agency budgets are a reflection of agency values. The MBEAT provides Metro with a tool to intentionally consider and embed equity into the Annual Budget process. It introduces a way to measure equity, on par with other performance measures that Metro tracks such as service,

environmental impacts, and cost efficiencies. The long-term goal of the MBEAT is to help the entire Metro budget drive equitable outcomes and ultimately eliminate the need to target and address disparities--because they will no longer exist. To get there, we start with reviewing and applying an equity lens to all aspects of the budget.

DISCUSSION

The FY22 MBEAT analysis comprised both an assessment of equity in Metro FY22 budget requests and an assessment of the MBEAT pilot process itself.

Equity Assessment of Metro FY22 Budget Requests

The MBEAT was the first equity assessment integrated into one of Metro's agencywide processes, starting with the FY21 Mid-Year Budget process. The FY22 MBEAT process expanded tool application to include 17 department-wide budgets, as well as 61 new and adjusted budget requests. The MBEAT methodology, scoring, and evaluation is further detailed in the "MBEAT Process Assessment" section below.

Line Item Budget Adjustments

There were 61 budget adjustments analyzed through the FY22 MBEAT process. After a robust review of the new and adjusted budget requests, staff recommends the following budget adjustment for reconsideration. The reduced budgetary adjustment was described as follows:

- Project Name: Ridership Campaign
Department: Communications
Estimated Budget: \$1,748,974
Allocated Budget: \$1,163,750

Project Scope: An overall Ridership campaign was planned for promotion in FY22 to get riders back on our system, educate them about fare and service changes, and increase ridership now that we have a COVID vaccine and spread numbers have decreased. Our campaign would promote and highlight that it is safe to take transit to major destinations, use for commuting, and simply use for everyday needs. Our goal is to get ridership back to pre-pandemic levels. Promoting a new ridership campaign can help boost our ridership numbers and instill trust in the Metro brand.

FY22 Budget Request: Every fiscal year the CEO, in consultation with the Office of Management and Budget, sets the Senior Leadership Team's respective office and department non-labor budget targets based on available funding, historical performance, cost curves, and other constraints. The total advertising budget target allocated by the Communications Department for FY22 is \$585,224 less than allocated before the pandemic in FY20, though it is \$455,820 higher than allocated in FY21. The total FY22 advertising budget target includes the ridership campaign. New ridership advertising budget demands anticipated for FY22 include promotion for the expansion of bus service, new line opening, and a rider-focused health campaign. Further overall advertising budget demands include website hosting

and services, Metro Bike Share, and bus operator hiring. Despite these competing budget priorities and estimated increased cost demands, Communications did not make an additional FY22 budget request above the FY22 target, due to uncertainty over ridership advertising priorities because of rapidly evolving COVID-19 pandemic conditions and guidelines. However, given more current updates to anticipated public safety and ridership improvements, the existing budget target now may not include sufficient funds for an increasingly urgent targeted ridership advertising campaign.

MBEAT Recommendation: Based on the MBEAT assessment of this project scope reduction, Office of Equity and Race staff recommends this budgetary reduction be remedied during the mid-year budget cycle. In FY22, projected improvements in vaccination and COVID-19 positivity rates may lead riders who stopped using the Metro system during 2020 to return to transit service. Service restoration is a stated goal of both the Metro board and executive leadership, and Metro must provide timely, reliable information to help riders understand what to expect on our system and be able to plan their transit trips. The Ridership campaign is an opportunity to instill trust in our services for current and returning riders and rebuild Metro ridership numbers to pre-pandemic levels. It would also educate the public about future NextGen service changes, the reestablishment of front door boarding, and other potential service and fare related updates.

By mid-fiscal year 2021-2022, Metro will have a better understanding of the timing and efforts needed to properly promote and support ridership in a landscape that is anticipated to continue changing between the start and middle of the fiscal year. Staff recommends reevaluating ridership advertising needs at mid-year with updated information on public health guidelines, new fare policy structures, and relevant eligible ridership categories. If additional funding is needed to support additional and ongoing ridership advertising needs, this should be strongly considered during the mid-year budget assessment.

Department Budgets

The FY22 MBEAT process also assessed Metro department budgets for funding allocated toward engaging marginalized communities and supporting a diverse and inclusive workforce, disaggregated data collection and analysis, and programmatic equity considerations despite any budget limitations. The 17 department budget submissions ranged in total annual budget from \$137,608 to \$3 billion. Because of this vast range, departments were generally categorized by budget size during assessment:

- Extra-large (XL): annual budget over \$1 billion, two departments
- Large (L): annual budget between \$100 million - \$1 billion, four departments
- Medium (M): annual budget between \$1 million - \$100 million, nine departments
- Small (S): annual budget under \$1 million, two departments

The FY22 MBEAT department review process did not result in any budget reconsideration recommendations for department budgets. Staff will continue to work with departments to strengthen equity considerations, engagement funding opportunities, and MBEAT submissions in subsequent fiscal years.

MBEAT process assessment

The MBEAT process has challenged Metro staff to apply an equity lens and more explicitly explain how budgetary decisions might specifically benefit or potentially harm or negatively impact marginalized communities. During the FY21 Mid-Year MBEAT Review, staff from the offices of Equity and Race and Management and Budget met with key staff from the departments and each department was then charged with completing: a) one MBEAT submission for each new, expanded scope, or reduced budgetary request, and b) one MBEAT submission for the whole department budget. Going into the Annual Budget process, staff incorporated a broader MBEAT training session into the Metro Budget Training for staff in February 2021. Staff also enhanced the online version of the tool to collect and track the larger number of anticipated budgetary requests and ensure integration with the Metro budget process.

The MBEAT budget adjustment review was applied to 61 new or adjusted scope FY22 budget requests from nine departments, including the Office of the CEO (Customer Experience), Office of Management and Budget (OMB), Communications, Congestion Reduction Management, Countywide Planning, Program Management, Operations, Risk, Safety & Assessment Management, and Safety Security and Law Enforcement. The MBEAT assessments highlight how many of the requests will help improve access to opportunities for some of our most marginalized and/or vulnerable communities. There are a range of requests that are anticipated to create benefits for marginalized communities, such as affordable housing in Joint Development projects, bus stop improvements, and bus-only network expansion. Some submissions also focused on pandemic impacts, including a ridership campaign (see “Metro FY22 Budget Requests” above) and COVID-19 street teams.

The MBEAT departmental budget review assessed 17 submissions from the Office of the CEO (Customer Experience and Policy), Civil Rights & Inclusion (CR&I), Ethics, Human Capital & Development (HCD), Audit, Information & Technology Services (ITS), Office of Extraordinary Innovation (OEI), and Vendor Contract Management (VCM). This review highlighted the immense diversity in scope, size, and funding across Metro departments and specifically sought what percentage of department budgets were spent on engagement with marginalized communities.

Scoring

The MBEAT looks for demonstrated, focused benefits to marginalized communities (including funded engagement), strong equity considerations, harm prevention or equitable mitigation strategies, and commitment to evaluation of actual impact on affected populations. It is a tool to apply an equity lens to several levels of the agency budget. Quantitative scores are assigned to each submission. These scores are not intended to rank projects as higher or lower value, but rather allow for a standardized assessment of budget adjustments and departments along the diverse spectrum of Metro projects, programs, and services. Not every submission will present an equity opportunity; for example, the MBEAT submission budget increase to replace the Overhead Catenary System (OCS) System on the Metro Green Line may prove to be a straightforward equipment upgrade to maintain state of good repair. However, scoring categorization allows for MBEAT reviewers to identify projects and department budget priorities that might enhance benefits to marginalized groups or equity considerations in budget decision-making.

Scoring ranges also serve to identify equity educational opportunities across Metro departments and

budget staff. As with any response, a vague or incomplete answer may indicate lack of understanding the question or scope of expected responses. Equity assessment and implementation are ongoing, iterative processes that seek to include perspectives and constraints of Metro staff while striving for more equitable outcomes, as well as internal processes.

As part of the robust scoring methodology developed for the FY22 MBEAT review process, all budgetary adjustment and department-wide submissions were reviewed by at least two staff. Quantitative scores applied to each of the MBEAT questions were averaged between staff reviewers. Total averaged scores were combined into a scoring range that offers a general assessment and recommendations for next steps. The scoring ranges, assessments, and next steps for both MBEAT sections are detailed below.

FY22 MBEAT Budget Adjustment Scoring Range

Range	General assessment	Recommended next steps
81-100	Strongly benefits marginalized groups/communities and demonstrates strong equity consideration	Identify methods to monitor for equity impacts
61-80	Generally benefits marginalized groups/communities and/or demonstrates intentional equity considerations	Identify opportunities for enhanced equity considerations and data collection methods
41-60	May lack targeted benefits to marginalized groups and/or equity considerations	Identify opportunities for enhanced benefits, harm reduction, and/or evaluation
21-40	Generally lacks targeted benefits to marginalized groups/communities and/or equity considerations	Identify opportunities for enhanced equity considerations, mitigation, and/or evaluation
20 and less	Project may not present an equity opportunity or submission may require further support/training	Follow-up with department staff

FY22 MBEAT Department Budget Scoring Range

Range	General assessment	Recommended next steps
81-100	Department budget demonstrated strong funding commitment to engagement activities, diverse and inclusive workforce, and identified disaggregated data evaluation and consideration of equity, despite budget limitations	Identify methods to monitor for equity impacts and/or funding shortfalls inhibiting equity
61-80	Department budget demonstrated general funding commitment to engagement activities, diverse and inclusive workforce, and/or identified disaggregated data evaluation	Identify opportunities for enhanced equity considerations and data collection methods
41-60	Department did not demonstrate clear funding commitment to engagement activities and/or diverse and inclusive workforce, and/or disaggregated data evaluation	Follow-up with department staff
21-40	Department may require further support to demonstrate funding commitment to engagement activities and/or diverse and inclusive workforce, and/or disaggregated data evaluation, AND/OR may require further support developing MBEAT submissions	Follow-up with department staff
20 and less	Department may require further support to identify engagement and/or equity opportunities AND/OR may require further support developing MBEAT submissions	Follow-up with department staff

Process Evaluations

The FY22 MBEAT pilot is the first equity assessment used in the development of a Metro Annual Budget. Staff have been tracking and documenting opportunities for improvements to the process for subsequent fiscal years, such as lengthening the review process and offering a variety of educational resources and training materials for Metro staff. Further, staff from the Office of Equity and Race will conduct interviews with department staff to further refine the MBEAT process and better integrate it into the agency’s Annual Budget cycle.

Overall, implementation of the MBEAT has highlighted budgetary requests with a wide range of benefits for marginalized and/or vulnerable communities, helped staff identify potential barriers or harms to address, and helped staff consider how Metro budgets influence marginalized communities’ access to opportunities and reduce potential barriers or harms. It also highlighted the need for continued training to streamline the MBEAT process and continued support for staff to consider how investments, projects, programs, and policies might cause harm or not benefit all as intended, given historic and current disparities and systemic inequities.

FINANCIAL IMPACT

There is no specific financial impact to the FY22 budget as a result of development and applications of the Metro Budget Equity Assessment Tool, however there may be some impacts during the FY22

Mid-Year assessment.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This recommendation supports strategic plan goals #1.1, 3.3, and 5.7 by helping Metro to target programmatic, infrastructure, and service investments toward those with the greatest needs and enhancing communities and lives through mobility and access to opportunity.

NEXT STEPS

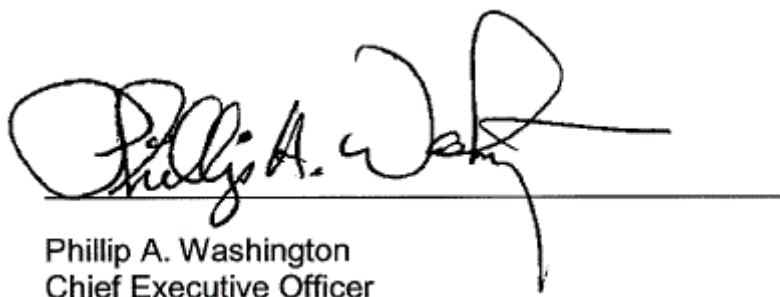
Upon culmination of the FY22 Budget cycle, staff will immediately work to refine the MBEAT process for subsequent fiscal years' annual and mid-year budget efforts.

ATTACHMENTS

Attachment A - Metro Budget Equity Assessment Tool

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