



## Board Report

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### FINANCE, BUDGET, AND AUDIT COMMITTEE APRIL 19, 2023

**SUBJECT: FISCAL YEAR 2024 BUDGET DEVELOPMENT STATUS UPDATE**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE the Fiscal Year (FY24) Budget Development Status Update.

#### **ISSUE**

This is the fourth in a series of monthly updates to the Board on the FY24 Budget development process, culminating in a planned May 2023 Board Adoption.

This report focuses on key areas of the Metro Transit Program (Discussing both Operations and Maintenance as well as Capital Improvement projects). Other programs discussed include Congestion Management, General Planning and Programs, as well as Oversight and Administration.

This report also discusses the mitigation options for managing near-term financial challenges for Metro Transit and shares the latest update regarding Metro's comprehensive budget outreach efforts.

#### **BACKGROUND**

California Public Utilities Code Section 130105 requires Metro to adopt an annual budget to manage the revenues and expenses of the Agency's projects and programs. The budget is the legal authority to obligate and spend funds and to implement Board policy. It includes all operating, capital, planning and programming, subsidy funds, debt service requirements, and general fund activities for the fiscal year. The legal level of control is at the fund level. Total annual expenditures cannot exceed the final appropriation by the Board at the fund level except for capital expenditures, which are authorized on a life of project basis.

#### **DISCUSSION**

#### **Metro Transit: Near-Term Financial Challenges**

Metro strives to redefine daily travel habits and create legacy investments that improve the ease, accessibility, and travel experience across the most important journeys for Metro's current and future customers. As indicated in last month's report, the overall operating deficit, also referred to as the 'fiscal cliff,' and the challenges of major infrastructure capital projects are two distinct concerns impacting Metro. Below is a summary of the challenges regarding the overall operating deficit.

#### *Federal Stimulus funding exhausted.*

The one-time federal funding assistance through the American Rescue Plan Act (ARPA) helped to backfill some shortages but will be exhausted in FY23. With no additional federal stimulus funding assumed in FY24, Metro's resources will experience a 14.6 percent, or \$1.02 billion decline in overall revenues, excluding other grants and bond proceeds. Sales tax related revenues, which are about 70 percent of Metro's total resources, are already committed by ordinance and, in the case of Metro's Measure R and Measure M sales taxes, restrict how the funding is used. These sales tax measures were focused more on transit capital expansion and with limited funding for operating and maintaining service.

#### *Ridership & Fare Revenues Remain Below Pre-Pandemic Levels*

Although ridership numbers have increased significantly since the initial steep decline early during the pandemic, Metro's full ridership has not yet returned, and fare revenues are not expected to reach pre-pandemic levels in FY24. Farebox revenues continue to be low with the various discounted and free fare programs Metro now has in place to attract and retain ridership (i.e., pilot GoPass for K-12 and Community College Students and Low-Income Fair is Easy (LIFE) Programs, 50 percent discounts, reduced fares, and fare capping). Therefore, farebox revenues remain below pre-pandemic levels, which further strains the availability of operations eligible funding (sales tax fund allocations specifically dedicated to transit operations).

#### *Increasing Operating Costs and Fleet Electrification*

Growing operating transit, costs are also expected in the next three years, driven by the cost of zero-emission buses to meet the State of California's mandate for eliminating the use of hydrocarbon-fueled buses as well as the rail system expansion. At the same time, pandemic-induced challenges require Metro to invest in new initiatives to make the system clean, safe, and reliable, which began as part of the pandemic response but is now being conducted without any additional federal assistance. Moreover, as operating costs increase amid the perfect storm of high inflation and labor shortages, the expansion of the systemwide network will continue to demand more funding. Metro is not immune to these financial pressures and will continue to face challenges in the near future, making it imperative that every dollar is budgeted and spent wisely.

### Metro Transit: Near-Term Mitigation Strategies for Consideration

Below are some other mitigation strategies to help address the challenges described above.

Metro Transit:

- Performance Management: Evaluate pilots and set up KPIs that can help measure the achievement of performance goals that illustrate the effectiveness of the pilot.
- Dedicated Funding: Advocate for dedicated transit operations funding from federal and state sources.
- Use of Operating Eligible Funding: Evaluate resources, cost impacts and prioritize projects and initiatives that support agency priorities within available funding.

### Metro Transit, EZBB Cost Control

The Equitable Zero-Based Budget (EZBB) process continues to be the driving force in this year's annual budget development process and serves as a cost control tool that integrates an equity lens to develop a fiscally responsible budget. In FY22, Metro enacted cost controls through the Equitable Zero-Based Budgeting (EZBB) process by establishing a Metro Transit Taskforce centered on delivering a more optimal and efficient service design, as discussed in the service plan below. Through EZBB, cost savings of \$7.9 million from proposed projects that did not align with the strategic priorities were reallocated to cyber security and NextGen projects.

Additionally, in FY23, Metro launched a study on insourcing vs. outsourcing of functions and services. This study reviewed Metro's contracting decisions to determine whether insourcing some activities would benefit Metro. The study provided recommendations and tools to assess insourcing opportunities. As a result, Metro has identified maintenance contracts to be evaluated for potential insourcing opportunities and subsequent cost savings. As contracts are identified for renewal, insourcing evaluation will be conducted, and if appropriate, implementation plans will result in cost savings in FY25.

FY24 budget development focused on a service plan to include expansion integration, customer safety, and cleanliness, maintaining assets in a state of good repair, employee safety, retention, and engagement. In developing this year's budget, the top priority was to support revenue service, and all budget requests were evaluated to determine whether programs supported the agency's priorities.

### Metro Transit Program FY24 Preliminary Budget

#### Service Plan and Optimization

Each year Metro updates the transit service plan to improve customer experience through revised transit routes and schedules and to fulfill this essential element of the rider experience. The FY24 proposed service plan includes 8.6 million Revenue Service Hours (RSH) of bus and rail service (excluding Metro Micro RSH), a 3.2% increase from pre-pandemic levels and a 2.3% increase over the FY23 budget.

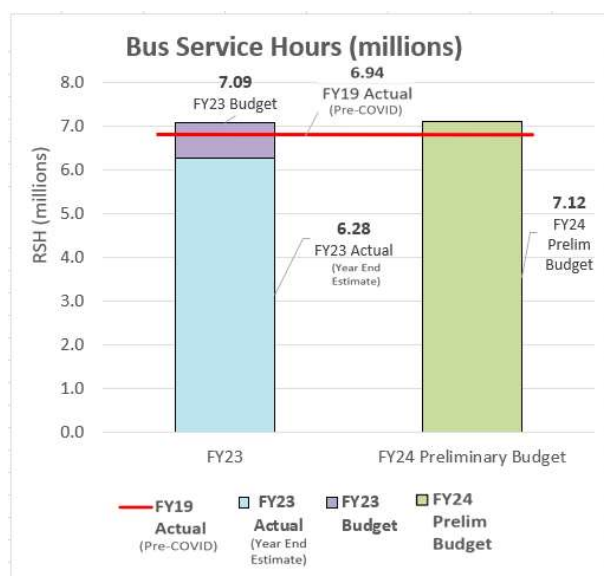
In FY23, savings compared to budget were achieved through reduced bus and rail scheduled service levels, reflecting actual ridership while providing more reliable daily service delivery while having a significant shortage of operators.

Unlike FY23, in FY24, it is expected that the 7.12 million bus RSH will be fully delivered based on the NextGen Bus Plan. Rail service is budgeted with increases in service frequencies (service restoration) from the beginning of FY24, to be phased in subject to ridership growth, operator availability, and the successful launch and ongoing operation of Regional Connector rail service.

**Bus**

As shown in Figure 1, in the FY23 budget, bus service was restored to the pre-COVID-19 level of 7.09 million RSH. FY24 service plan includes 7.12 million bus RSH. Metro plans to be fully staffed with bus operators throughout FY24 to allow for reliable delivery of the planned bus service. Service enhancements will be implemented with the NextGen speed and reliability initiatives to support improved frequency, load standards, and on-time performance.

Fig 1:



**Rail**

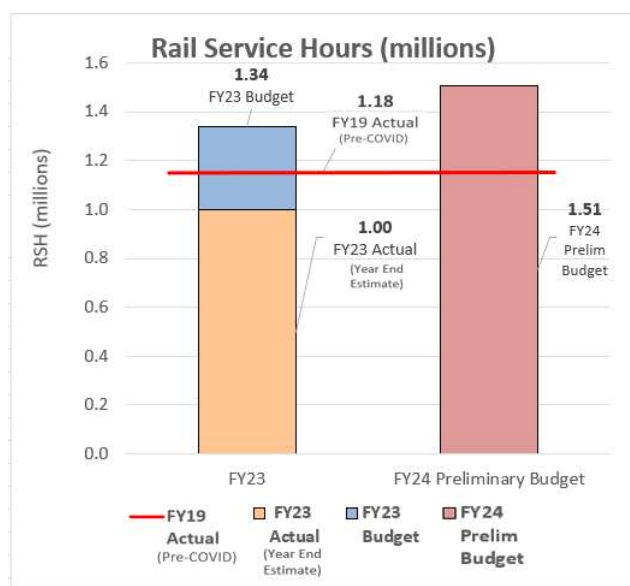
Rail service levels are planned to continue meeting current demand. The service is right sized upon constant evaluation by staff. The initial operating segment of the K Line (Crenshaw/LAX Line) opened in October 2022. The new Regional Connector light rail corridor through downtown LA, with associated changes creating the new A (Long Beach - Azusa) and E (Santa Monica - East LA) Light Rail lines, is expected to open by the end of FY23. The Regional Connector and K Line (Crenshaw/LAX Line) will operate for a full year of service in FY24.

Rail service will improve frequency by increasing headways from a 10-minute peak and 12-minute off

-peak service to an 8-minute peak and 10-minute off-peak service on all Light Rail lines. The plan will also increase daytime all week service frequency to 10-minute from the current 15-minute on the Subway (B Line and D Line) in line with the NextGen Bus Plan Tier 1 minimum headway frequency.

As shown in Figure 2 below, the total rail service plan includes 1.505 million RSH, a 27.5% increase from pre-pandemic levels and a 12.3% increase over the FY23 budget. Further details are included in the separate Operations, Safety, and Customer Experience Committee’s April 20<sup>th</sup> Board report.

Fig 2:



Metro Transit Program - Operations & Maintenance Budget

As shown in Figure 3 below, the FY24 preliminary budget for the Metro Transit Program is \$2.36 billion, an increase of 5.0% or \$112.7 million over the FY23 budget. It includes funds to support the delivery of 8.9 million RSHs to operate Bus and Rail services as well as the Metro Micro pilot program.

Bus expenses in the coming fiscal year are anticipated to increase by \$54.5 million or 3.7% from the FY23 budget. This increase will support enhanced quality, safety, and service reliability.

Preliminary budget for Light and Heavy rail services includes additional funding for increases in service frequencies, full year operations of the K Line (Crenshaw/LAX Line), and Regional Connector with three new stations, as well as additional staffing for cleanliness and safety. Rail expenses are anticipated to increase by \$57.2 million or 7.8% from FY23 budget.

Metro Micro pilot program’s preliminary budget increases by 2.4% to \$40.1 million and includes staffing and contract expenses to operate 272.2 thousand RSHs.

See further details on Bus, Rail, and Metro Micro budget in Attachment A.

Fig 3:

| Operations & Maintenance<br>(\$ in Millions) | FY23<br>Budget    | FY24<br>Prelim    | \$<br>Change    | %<br>Change | % of<br>Total |
|--|-------------------|-------------------|-----------------|-------------|---------------|
| 1 Bus Total                                  | \$ 1,473.9        | \$ 1,528.4        | \$ 54.5         | 3.7%        | 64.7%         |
| 2 Rail Total                                 | 737.8             | 795.1             | 57.2            | 7.8%        | 33.6%         |
| 3 Metro Micro                                | 39.2              | 40.1              | 0.9             | 2.4%        | 1.7%          |
| 4 <b>Operations &amp; Maintenance Total</b>  | <b>\$ 2,251.0</b> | <b>\$ 2,363.7</b> | <b>\$ 112.7</b> | <b>5.0%</b> | <b>100.0%</b> |

### Cleaning

The FY24 Preliminary Budget includes \$201 million for all cleaning efforts, an increase of 13% or \$23.6 million over the FY23 budget. This also includes 10 roving cleaning teams, 24 new custodial staff, and up to 50 temporary part-time custodial Room to Work participants. Metro is also increasing the frequency of cleaning, expanding “in-line” and mid-day bus interior cleaning, “end of line” cleaning on rail, station hot spots, and expanded activities at Metro’s most traveled stations and terminals.

- Daily Bus cleaning at 4 terminals 7 days a week: Terminal 17 (Maple Lot), Terminal 19 (El Monte), Terminal 26 (Washington/Fairfax), and Terminal 28 (18<sup>th</sup> St)
- Rail custodial staff deployment at 13 Hot Spots (all 3 shifts providing round the clock service at these stations: Union Station, Pershing Square, 7<sup>th</sup>/Metro, Civic, Westlake, Wilshire/Vermont, Hollywood/Vine, Hollywood/Highland, Universal, North Hollywood, Willowbrook/Rosa Parks, Aviation/LAX, and Pico).

Fig 4:

(\$ in millions)

| Area                           | FY23<br>FTE | FY24<br>FTE | Change    | %<br>Change | FY23<br>Budget  | FY24<br>Preliminary | \$ Change      | %<br>Change  |
|--------------------------------|-------------|-------------|-----------|-------------|-----------------|---------------------|----------------|--------------|
| 1 Buses                        | 388         | 388         | -         | 0%          | \$ 1.1          | \$ 1.0              | \$ (0.1)       | -7.2%        |
| 2 Trains                       | 164         | 164         | -         | 0%          | 0.3             | 0.4                 | 0.0            | 7.0%         |
| 3 Facilities                   | 108         | 108         | -         | 0%          | 55.8            | 55.6                | (0.3)          | -0.5%        |
| 4 Stations                     | 213         | 237         | 24        | 11%         | 2.3             | 4.8                 | 2.5            | 105.8%       |
| 5 Stops                        | 23          | 23          | -         | 0%          | 0.1             | 0.1                 | -              | 0.0%         |
| 6 Station Evaluation           | 2           | 2           | -         | 0%          | 0.0             | 0.0                 | 0.0            | 1.9%         |
| 7 <b>Totals</b>                | <b>898</b>  | <b>922</b>  | <b>24</b> | <b>3%</b>   | <b>\$ 59.7</b>  | <b>\$ 61.9</b>      | <b>\$ 2.1</b>  | <b>3.6%</b>  |
| 8 <b>Labor Costs</b>           |             |             |           |             | <b>\$ 117.6</b> | <b>\$ 139.1</b>     | <b>\$ 21.5</b> | <b>18.3%</b> |
| 9 <b>Cleaning Budget Total</b> |             |             |           |             | <b>\$ 177.4</b> | <b>\$ 201.0</b>     | <b>\$ 23.6</b> | <b>13.3%</b> |

### Vinyl Seat Replacements

Last year, a recurring request heard from customers was to remove all fabric seats for vinyl seats throughout the system. Metro remains committed to completing this campaign. Vinyl seat replacements on the bus fleet and all in service rail vehicles are on track to be completed by June

2023.

### *Room To Work Program*

The Room to Work Program was developed last year to support unhoused riders and individuals with career opportunities in transportation. In March 2023, 24 temporary, part-time custodians were hired for deployment on B Line stations. In FY24, \$1.5 million is being added to ramp up the program, hiring up to 50 Room to Work participants to provide part-time custodial cleaning at B and D passenger stations.

### *Westlake MacArthur Park Program*

Westlake/MacArthur Park Station, served by Metro B and D Lines (Red/Purple) and nearby NextGen Tier 1 bus lines, has been impacted by societal challenges impacting public safety. This program will pilot interventions to deter non-transit loitering and restore safe and reliable transit. These interventions include upgrades to faregates, station lighting, CCTV cameras, alarms, bench seating, signage, and a new station kiosk to improve customer experience and public safety.

### *Bus Layover - Mobile Restrooms Pilot*

Metro's Leadership Academy identified this pilot as an important investment in frontline employees. The team researched bus layover restroom and break area facilities for Bus Operators, making the case for Metro to invest in long-term, sustainable improvements to these facilities, with the health of our Operators as the primary driver.

### *Public Safety*

Metro's competitive game plan for transformational change to public safety is known as the Reimagining Public Safety Framework, which aligns operations to the needs of the public through deliberate and equity-driven public safety initiatives. Metro is implementing a comprehensive, multi-layered strategy that is essential for enhancing public safety on our system.

The law enforcement presence will be supplemented with various interventions, such as additional transit security officers, dedicated bus-riding teams, pilot transit ambassadors, and homeless/mental health outreach. This will ensure that appropriate personnel are deployed to address specific issues. The proposed plan is a proactive, data-driven, and flexible response that offers strategic enforcement and equitable rule compliance in order to maintain public safety.

The FY24 Preliminary Budget for resource deployment includes \$290.5 million, a 3.7% increase from the FY23 Budget, to ensure Metro has a system designed to enhance security.

Fig 5:

|   | Public Safety Resource Deployment<br>(\$ in millions)       | FY23 Budget     | FY24<br>Preliminary | \$<br>Change   | %<br>Change |
|---|---|-----------------|---------------------|----------------|-------------|
| 1 | Transit Ambassadors - FY22 Carryover Funding <sup>(1)</sup> | \$ 20.0         | \$ -                | \$ (20.0)      | -100.0%     |
| 2 | Transit Ambassadors - Annual Funding                        | 20.0            | 20.0                | -              | 0.0%        |
| 3 | Homeless/Mental Health Outreach                             | 15.3            | 25.3                | 10.0           | 65.6%       |
| 4 | Metro Transit Security                                      | 30.7            | 43.7                | 13.0           | 42.5%       |
| 5 | Private Security  | 24.8            | 25.7                | 0.9            | 3.7%        |
| 6 | Law Enforcement   | 169.5           | 175.8               | 6.3            | 3.7%        |
| 7 | <b>Public Safety Resource Deployment Total</b>              | <b>\$ 280.2</b> | <b>\$ 290.5</b>     | <b>\$ 10.2</b> | <b>3.7%</b> |

Note: Totals may not add up due to rounding.

<sup>(1)</sup> The FY23 Budget includes an additional \$20 million of rollover budget from FY22 since the Transit Ambassador pilot program was approved by the Metro Board in late FY22. The annual funding for the Transit Ambassador pilot program is \$20 million per Motion 26.2.

### Homeless/Mental Health Outreach Services

Metro allocated \$25.3 million towards the growing need for homeless outreach and mental health resources. \$13.5 million is dedicated to homeless outreach by partnering with LA County Department of Health Services (DHS)' multi-disciplinary teams, including PATH, to provide resources on the system. \$10 million is set aside to partner with LA County Department of Mental Health Services (DMH), which will provide training support to identify mental health concerns and proper responses, strategies to address critical crisis response needs, and Community Mental Health Ambassadors. Another \$1.8 million is for short-term shelters, workforce partnerships, a strategic plan, and a homeless app to track engagement and outreach.

### Fare Programs

Metro continues to improve and enhance the customer experience by making it easy for riders. Various fare programs are being piloted and launched in FY24 to make it easy and equitable for all riders, such as the GoPass Student pilot program, LIFE program, Mobility Wallet pilot, and the launch of fare capping.

### GoPass Pilot

GoPass is paving the path towards a better quality of life and future job opportunities for the most disadvantaged students in LA County. Free access to public transportation increases students' mobility, school attendance, graduation rates, and access to social activities, promoting a better quality of life and better job opportunities.

Currently, 234,378 (11.5%) of LA County students are enrolled in the program. These students make 1.5 million boardings a month. The net cost of the program is \$20 - \$25 million. This is minimally offset by the cost sharing agreements with the schools generating \$3.5 million annually. School agreement rates will be evaluated during this pilot period. Metro continues to advocate for funding at the federal and state level to identify a dedicated and permanent funding stream.



### *LIFE Program (Low Income Fares is Easy)*

Metro Transit has reduced the cost of transit for more eligible low-income riders with the LIFE Program. The program offers fare discounts that can be applied toward purchasing weekly and monthly transit passes on Metro and any LIFE participating transit agencies, or 20 free rides on any one of the participating transit agencies.

Over the last year, Metro has made many improvements to the program to streamline the process for enrollment, including self-certification, online enrollment, and partnering with the Department of Public Social Services (DPSS). With all these improvements and the extensive outreach to enroll riders, Metro has exceeded the Board's goal to double enrollment in the program by December 2022, ending the calendar year with over 104,587 new LIFE participants.

There are currently over 217,475 people enrolled in the LIFE program. The FY24 Preliminary Budget includes \$32.5 million for the LIFE Program, an 8.9% increase over the FY23 Budget.

With Metro's recent fare change, Metro LIFE riders will also be participating in fare capping, allowing them access to an unlimited use pass without upfront payment pay as you go rather than paying upfront for a pass.

### *Mobility Wallet Pilot*

Metro is developing a Mobility Wallet pilot program in partnership with the California Air and Resources Board (CARB) and the City of Los Angeles. The program will provide transit subsidies to 5,000 participants, focusing on up to 2,500 low-income residents in South LA. Patrons can use their Mobility Wallet subsidy funds via a pre-paid debit card or through the Pay with TAP account solution.

The Mobility Wallet is an all-in-one payment solution that will enable users to pay for various transportation options, including public transit (bus and rail, Metro Micro), as well as on-demand mobility services (such as carshare, ride-hail, taxi, shared scooters, and bikes). The FY24 preliminary budget allocates \$1 million for this pilot, which LADOT will reimburse through the CARB grant.

### *Fare Capping*

In December 2022, Metro Board approved fare policy changes to align with fare capping. The overall goal for these changes is to expand mobility and increase access through a simple, equitable, and forward-looking fare structure that supports a sustainable transit system. The suite of changes simplifies fares and allows all riders the opportunity to unlimited use passes without upfront payment for a pass. Every rider will get the Best Fare. Fare capping and the suite of changes are anticipated to launch in FY24.

### Metro Transit Program - Capital Improvement Program (CIP) Budget

The FY24 Metro Capital Improvement Program (CIP) includes a Preliminary Budget of \$541.4M. The CIP budget focuses on maintaining, upgrading, and modernizing assets and infrastructure to ensure the transit system has state of the art equipment and peripheral systems to provide high quality

transit service. Capital asset improvements within this budget include the implementation of new technologies, rolling stock purchases, rolling stock modernization, station improvements, and more. The goal of the CIP is to enhance the customer experience while improving safety and reliability. Metro’s goal is to methodically renew and improve the system while maximizing scarce capital resources.

The FY24 preliminary budget is allocated to maintain Metro’s Bus, Rail, regional, and critical information systems needed to manage and monitor system-wide performance. It also reflects the maintenance of peripheral transit Infrastructure. The \$541.4 million estimate is based on current and future project activities and reflects the necessary cash flow to complete FY24 milestones and deliverables. A profile of the CIP program is shown in Figure 6 below.

Fig 6:

| Metro Transit - Capital Improvement Program (CIP) |                 |                 |           |               |               |
|---|-----------------|-----------------|-----------|---------------|---------------|
| Capital Category<br>(\$ in millions)              | FY23            |                 | FY24      |               | %             |
|   | Budget          | Preliminary     | \$        | Change        |               |
| 1 Fleet Procurement                               | \$ 82.1         | \$ 70.1         | \$        | (12.0)        | -14.7%        |
| 2 Fleet Maintenance                               | 41.4            | 44.1            |           | 2.7           | 6.6%          |
| 3 Facilities Improvements                         | 28.6            | 22.0            |           | (6.6)         | -23.2%        |
| <b>4 Bus Subtotal</b>                             | <b>\$ 152.1</b> | <b>\$ 136.2</b> | <b>\$</b> | <b>(15.9)</b> | <b>-10.5%</b> |
| 5 Fleet Procurement                               | 68.9            | 32.8            |           | (36.2)        | -52.5%        |
| 6 Fleet Maintenance                               | 99.5            | 136.2           |           | 36.7          | 36.9%         |
| 7 Facilities Improvements                         | 6.3             | 8.7             |           | 2.5           | 39.4%         |
| 8 Wayside Systems                                 | 47.7            | 52.3            |           | 4.5           | 9.5%          |
| <b>9 Rail Subtotal</b>                            | <b>\$ 222.4</b> | <b>\$ 229.9</b> | <b>\$</b> | <b>7.6</b>    | <b>3.4%</b>   |
| 10 Regional and Hubs                              | 35.3            | 33.6            |           | (2.9)         | -7.8%         |
| 11 TAM Project Management Support                 | 0.0             | 0.0             |           | (0.0)         | -10.2%        |
| 12 Technology                                     | 45.1            | 64.4            |           | 19.3          | 42.8%         |
| 13 Non-MR/MM Major Construction                   | 43.0            | 64.7            |           | 21.7          | 50.5%         |
| 14 Non-Revenue Vehicles                           | 5.7             | 12.7            |           | 6.9           | 121.3%        |
| <b>15 Other Asset Improvements Subtotal</b>       | <b>\$ 130.2</b> | <b>\$ 175.3</b> | <b>\$</b> | <b>45.1</b>   | <b>34.6%</b>  |
| <b>16 Total Proposed CIP Budget</b>               | <b>\$ 504.7</b> | <b>\$ 541.4</b> | <b>\$</b> | <b>36.7</b>   | <b>7.3%</b>   |

Metro will continue working toward the Board’s goal of achieving a zero-emission fleet in the coming year. This effort will require a \$3.5 billion to \$4.0 billion investment in buses and charging infrastructure over the next 10 years, approximately \$350 million to \$400 million in annual expenses. This represents a significant increase above the \$140 million average for bus and facilities in the past 10 years. Although there is a slight decrease in bus acquisition expenses this year, new zero emission bus acquisitions are in the pipeline and will increase as available technology and funding permit.

A detailed discussion of the CIP program cashflow request for the FY24 preliminary budget is included in Attachment B.

**Total Bus Investment**

Metro is committed to investments in the bus system. Figure 7 summarizes the total bus investments across all Metro programs.

- **Bus Service:** Bus costs in Operations & Maintenance represent \$1.5 billion in investments in operating and delivering bus service in FY24.
- **NextGen:** A significant investment of \$52.9 million will also be made in NextGen related projects this coming year.
- **Capital improvements:** A substantial portion of the capital improvements of the FY24 Preliminary Budget is devoted to the upkeep of the existing Metro bus system, approximately \$138.2 million in capital projects.
- **Construction & Planning:** Transit Construction and Planning investments of \$149.1 million includes all BRT improvement projects. These BRT improvement projects include construction efforts to improve G Line as well as studies for a Broadway BRT, a BRT connecting B Line/ G Line to L Line, Vermont Transit Corridor project, and San Gabriel Valley Transit Feasibility project.
- **Bus Studies and CX initiatives:** A \$28.0 million investment in Bus Studies and other CX initiatives for FY24 includes the Adopt-a-Bus Stop program, Bus Stop Lighting Project as well as other bus studies. Also another key program included in this section is the LIFE program, which aims to help make our bus services more accessible for low-income riders.

Overall, Figure 7 below captures the total bus investments in the FY24 preliminary budget of \$1.89B, which is an increase of 6.6% from the FY23 budget. Refer to Attachment C for further details.

Fig 7:

| Bus Investments<br>(\$ in Millions)   | FY23<br>Budget    | FY24<br>Prelim    | \$<br>Change   | %<br>Change | % of<br>Total |
|---------------------------------------|-------------------|-------------------|----------------|-------------|---------------|
| 1 Bus Operations & Maintenance        | \$ 1,473.9        | \$ 1,528.4        | 54.5           | 3.7%        | 80.6%         |
| 2 Bus NextGen                         | 28.9              | 52.9              | 24.0           | 83.0%       | 2.8%          |
| 3 Bus Capital Improvements            | 131.8             | 138.2             | 6.3            | 4.8%        | 7.3%          |
| 4 Bus Transit Construction & Planning | 119.5             | 149.1             | 29.6           | 24.7%       | 7.9%          |
| 5 Bus Studies & CX Initiatives        | 25.1              | 28.0              | 3.0            | 11.8%       | 1.5%          |
| 6 <b>Total of Bus Investments</b>     | <b>\$ 1,779.3</b> | <b>\$ 1,896.7</b> | <b>\$117.4</b> | <b>6.6%</b> | <b>100.0%</b> |

**FY24 Preliminary Budget for Congestion Management, General Planning & Programs and Oversight & Admin**

As shown in Figure 8 below, the FY24 Preliminary Budget for Metro Transit - Operations & Maintenance (O&M) as well as CIP, General Planning & Programs, Congestion Management and Oversight & Admin programs totals \$3.3 billion. As the FY24 EZBB process progresses, more detailed budget proposals by program are developed.

The following summarizes the changes between FY24 and FY23:

- General Planning & Programs totals \$233.7 million, an increase of \$13.1 million or 5.9%.
- Congestion Management totals \$131.9 million, a decrease of \$5.1 million or 3.7%.
- \$84.3 million for Oversight & Admin, a \$2.6 million or 3.1% increase from FY23.

See further details on the budget for these three programs in Attachment D.

Fig 8:

| <b>Expenditures by Program Type</b> |  | <b>FY23</b>       | <b>FY24</b>       | <b>\$</b>      | <b>%</b>      | <b>% of</b>   |
|-------------------------------------|--|-------------------|-------------------|----------------|---------------|---------------|
| <b>(\$ in Millions)</b>             |  | <b>Budget</b>     | <b>Prelim</b>     | <b>Change</b>  | <b>Change</b> | <b>Total</b>  |
| 1                                   | Metro Transit - Operations                       | \$ 2,251.0        | \$ 2,363.7        | 112.7          | 5.0%          | 27.7%         |
| 2                                   | Metro Transit - Capital Improvement Program      | 504.7             | 541.4             | 36.7           | 7.3%          | 6.3%          |
| 3                                   | General Planning & Programs                      | 220.6             | 233.7             | 13.1           | 5.9%          | 2.7%          |
| 4                                   | Congestion Management                            | 137.0             | 131.9             | (5.1)          | -3.7%         | 1.5%          |
| 5                                   | Oversight & Admin                                | 81.7              | 84.3              | 2.6            | 3.1%          | 1.0%          |
| 6                                   | <b>Total of Programs covered in April Report</b> | <b>\$ 3,195.0</b> | <b>\$ 3,354.9</b> | <b>\$160.0</b> | <b>5.0%</b>   | <b>39.3%</b>  |
| 7                                   | <b>Total of Programs covered in March Report</b> | <b>\$ 5,101.4</b> | <b>\$ 5,173.2</b> | <b>\$ 71.8</b> | <b>1.4%</b>   | <b>60.7%</b>  |
| 8                                   | <b>Total of April and March Report</b>           | <b>\$ 8,296.3</b> | <b>\$ 8,528.2</b> | <b>\$231.8</b> | <b>2.8%</b>   | <b>100.0%</b> |

In May, staff will provide the consolidated Agency-wide expenses, FTEs, budget by departments, and an update on debt borrowing plans to help deliver essential capital projects.

**Early & Expanded Public Engagement Update**

Metro works to incorporate the voices of the diverse community it serves into the annual budget. As such, involving the public and key Metro stakeholders in the budget development process is important. To achieve this, public engagement began early, and an effort was made to engage often. Metro held three Telephone Town Hall Meetings and released a new My Metro Budget tool. One of the goals of the budget tool and telephone townhalls was to not only provide a way to educate the public on budget trade-offs but also to provide information about the budget process. In addition, there was an effort to collect comments and feedback, which were distributed to the departments for consideration when developing the FY24 Budget. While these are a few of many efforts Metro engages the community with, there are many others agency wide.

At the most recent Telephone Town Hall on March 28, 2023, Metro leadership was in attendance to share the FY24 initiatives of the agency. The top public concerns were centered around safety and cleanliness of the system. Metro’s senior leadership team addressed these concerns directly.

Staff will continue reaching out to the public with expanded stakeholder outreach meetings throughout April and May. The FY24 budget season will end with a budget public hearing scheduled on May 17 and will allow the public an opportunity to comment on the proposed budget. This will be followed by a review and possible adoption of the proposed FY24 budget by the Metro Board on May 25. See Attachment E for details on the FY24 outreach and engagement efforts.

**DETERMINATION OF SAFETY IMPACT**

This recommendation will not have an impact on safety standards at Metro.

## **EQUITY PLATFORM**

This month's report focuses on Metro's Transit Program and highlights operating and maintenance of bus and rail services, general planning and programs, congestion management, as well as several customer experience initiatives and public safety enhancements. The engagement efforts to gather feedback for the Metro Transit Program budget were inclusive, with marketing to reach residents in Equity Focus Communities (EFCs). This portion of the budget considers the comments received from riders in EFCs about safety, cleanliness, frequency, and reliability. The FY24 Transit Operations Plan emphasizes putting people first- riders, stakeholders, and employees while providing equitable, sustainable, economically productive, safe, and accessible service.

Metro not only works to expand the system by increasing station stops and improving system signage for riders but also provides ADA accessible services and Metro Micro to better serve all communities' unique needs. Additionally, Metro's Reimagining Public Safety campaign is increasing the budget for homeless and mental health outreach, as well as safety and security with Transit Ambassadors and Metro Transit Security.

Metro engaged riders, stakeholders, and the broader public early in the budget process, starting with public meetings, Telephone Town Halls, and the new My Metro Budget engagement tool. The Telephone Town Hall meetings dialed out to 100% of EFCs. My Metro Budget is available in Spanish and English to engage and educate the public, specifically EFCs, and yielded a 44% response rate from EFC residents. This information is used to develop strategies for continued and expanded outreach and for improving Metro Transit programs and initiatives.

Additionally, the Metro Budget Equity Assessment Tool (MBEAT) is incorporated in the FY24 Budget development to assess budgetary requests for equity benefits, impacts, and considerations.

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Recommendation supports the following Metro Strategic Plan Goal:

Goal # 5: Provide responsive, accountable, and trustworthy governance within the Metro Organization.

## **NEXT STEPS**

Staff will review and finalize the FY23 Budget proposal for Board consideration of adoption and in time for the public hearing on May 17<sup>th</sup>.

## **ATTACHMENTS**

Attachment A - Metro Transit O&M - (Budget and Service Plan)

Attachment B - Metro Transit Capital Improvement Projects Details

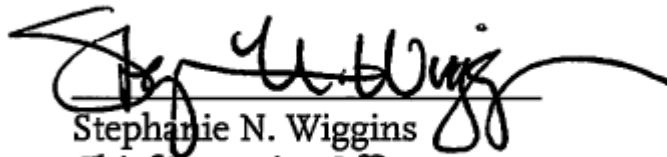
Attachment C - Overall Bus Investments

Attachment D - Congestion Management, General Planning & Programs, and

Oversight & Admin Programs  
Attachment E - Early, Improved & Expanded Public Engagement Update

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