



Board Report

File #: 2020-0466, **File Type:** Informational Report

Agenda Number: 10.

FINANCE, BUDGET, & AUDIT COMMITTEE AUGUST 19, 2020

SUBJECT: FY21 BUDGET DEVELOPMENT UPDATE

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE FY21 Budget Development Update.

ISSUE

This report is part of a series of status updates on the FY21 Budget development, leading to Board consideration for adoption in September 2020. The preliminary budget plan aims to balance the budget under the economic constraints caused by COVID-19 while allocating resources to achieve Metro Vision 2028 goals in a fiscally responsible manner.

DISCUSSION

In May, Metro Board of Directors adopted a Continuing Resolution to extend FY20 Budget authorization through the first quarter of FY21 which provided an opportunity to reset the financial forecast due to the COVID-19 pandemic. All Metro activities have been reassessed to reprogram the resources available for Metro and regional activities in the upcoming year within the current economic constraints.

Budget Development Process

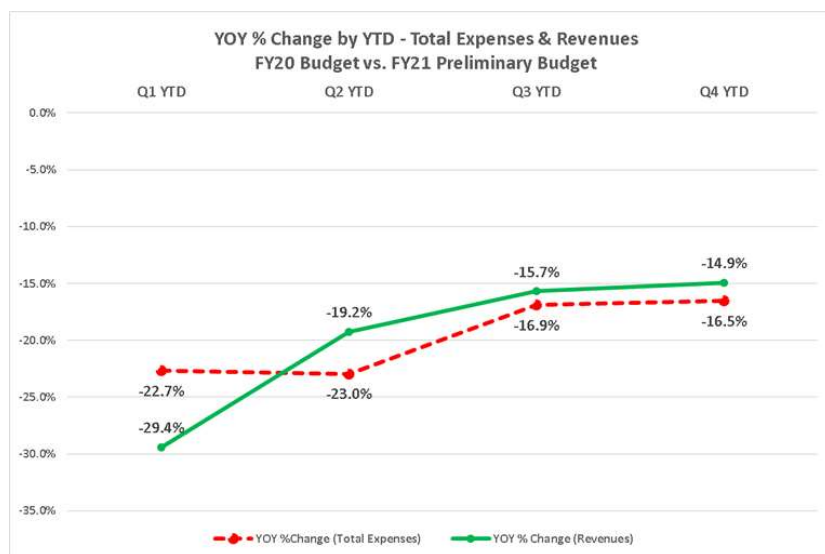
While making strides towards achieving the Metro Vision 2028 goals:

- Provide high-quality mobility options that enable people to spend less time traveling.
- Deliver outstanding trip experiences for all users of the transportation system.
- Enhance communities and lives through mobility and access to opportunity.
- Transform Los Angeles County through regional collaboration and national leadership.
- Provide responsive, accountable, and trustworthy governance within the LA Metro

organization.

Metro continues to reimagine the future of Los Angeles County and its transportation network in delivering equity, sustainability, prosperity, and better quality of life for all county residents.

The severity and uncertain duration of the COVID-19 pandemic and the rollback in the State’s reopening has had a negative impact on the Agency’s financials and operations. Metro will temporarily experience near term budget and cashflow challenges. Reimbursement from the CARES Act is included in the FY21 Preliminary Budget; however, other potential stimulus funding and its receipt are uncertain at this time.



In response, Metro is developing the budget in a measured and tailored approach with cost control measures that are essential and effective in the short term to meet the Agency’s going concern. Metro will balance the budget through the conservation of cashflow in the first half of the year and assume a steady recovery in the second half of the year.

Each program, function, and department will adjust its budget accordingly to reflect the new economic realities and progress on projects in a feasible manner as opportunities arise.

(A) Employment and Labor:

Payroll and employment are reimbursable through CARES Act and possible future stimulus. The Agency looks to protect its existing employees from the economic impact of this pandemic by retaining its workforce while controlling cost through vacancy savings and reduction overtime usage whenever applicable. Metro implemented a hiring freeze resulting in a budgeted vacancy savings assumption of \$26 million for 151 non-contract FTEs.

Agency FTEs	FY20 Budget	FY21 Preliminary
AFSCME	821	821
ATU	2,444	2,444
TCU	915	915
TEAMS	175	175
UTU	4,127	4,127
Non-Contracts	1,737	1,737
Total FTEs	10,219	10,219
Total Agencywide Represented	8,482	8,482
Total Agencywide Non-Represented	1,737	1,737
Grand Total	10,219	10,219

FY21 Preliminary Budget FTEs has remained at FY20 Budget level, with a total of 10,219 FTEs, 8,482 Agencywide represented and 1,737 Agencywide non-represented. As per the collective bargaining agreement of the represented FTEs, labor costs will adhere to existing contracts and increase by 4.5% on average. Merit-based increases for non-contract FTEs will be deferred for the first quarter.

(B) Other cost inflation:

Staff projects cost inflation to increase by 2.3%, as measured by Consumer Price Index (CPI).

(C) Transit Service:

Metro will continue to be an essential service to Los Angeles County’s population, by operating bus and rail services at levels where it supports people returning to work. Service will ramp up from initial COVID-19 Enhanced Sunday Service level in the last quarter of FY20 since April, 2020 as ridership is projected to gradually recover and demand increases. By the third quarter, NextGen and new transit modes such as MicroTransit will be implemented when possible. During this pandemic, Metro will prioritize enhanced cleaning, sanitizing, and PPE availability.

(D) Transit and Transportation Project Planning and Program Management:

Metro is committed to staying on schedule for Measure M and Measure R projects which includes building of new highways, transportation infrastructure, in addition to planning and providing funding for regional transportation activities for projects to be shovel ready.

(E) Regional Operators:

Municipal Operators will receive CARES Act funding as CARES Act allocations approved by the Board. The distributions provide double their estimated sales tax losses to maintain their funding levels and provide supplemental relief.

As the result of these assumptions and cost control strategies, the FY21 Preliminary Budget is \$6.0 billion; a 16.5% decrease from FY20 Budget of \$7.2 billion. This budget is still under development and may change as we work towards finalizing the FY21 Proposed Budget.

The following attachments provide further detail discussion on the programs and their FY21 Preliminary Budget to mitigate the financial constraint:

- Attachment A for Transportation Infrastructure Development.
- Attachment B for Metro Transit: Operations & Maintenance and State of Good Repair.
- Attachment C for Subsidy Funding, General Planning and Programs, Congestion Management, Oversight and Administration, and Debt Service.

\$6.0 billion preliminary budget is summarized by program as follows:

Program Type (\$ in millions)	FY20 Budget	FY21 Preliminary Budget	FY20 - FY21 \$ Change	FY20 - FY21 % Change
1 Transportation Infrastructure Development	\$ 2,382.4	\$ 1,486.5	\$ (895.9)	-37.6%
2 Metro Transit - Operations & Maintenance	1,839.1	1,798.6	(40.4)	-2.2%
3 Metro Transit - SGR & Other Asset Improvements	493.5	457.0	(36.5)	-7.4%
4 Subsidy Funding Programs	1,404.7	1,238.6	(166.0)	-11.8%
5 Regional Rail	178.2	219.5	41.3	23.2%
6 Congestion Management	135.9	89.6	(46.3)	-34.0%
7 General Planning & Programs	168.9	155.1	(13.8)	-8.2%
8 Debt Service	534.9	509.2	(25.8)	-4.8%
9 Oversight and Admin	71.2	62.6	(8.6)	-12.1%
10 Total Expenditures	\$ 7,208.8	\$ 6,016.7	\$ (1,192.1)	-16.5%

Public Outreach Update

Due to the pandemic, outreach will now be conducted online with virtual meetings. The virtual forum still allows all aspects of the public participation and comply with Metro’s policy on social and physical distancing. Staff will continue to take the necessary steps to ensure engagement in a safe, thoughtful, and comprehensive community process.

Metro Special FY21 Budget Briefing - Regional Service Councils

Taking advantage of the virtual platform, we will coordinate one dedicated Special FY21 Budget Briefing for all five Service Councils to review the proposed FY21 Budget. The meeting will be an opportunity to communicate with service council members and the community to gather public input on the proposed budget. Members of the public will have an opportunity to submit comments during the budget briefing using an online comment feature and to provide live public comment by phone, in English and Spanish. The Special FY21 Budget Briefing is scheduled for September 3, 2020 at 6pm and accessible by metro.net/about/board/agenda in accordance with the Brown Act. Meeting details will be posted on metro.net/myvoice, multiple e-blasts will be sent out, and will be advertised via

digital campaign utilizing the agency’s communications channels, i.e. Facebook (FB) events on Metro’s FB page, FB page of ongoing Metro construction projects, Instagram stories, Nextdoor, Twitter posts, and TheSource.

All marketing and digital campaign efforts for the budget are underway and staff will continue to provide monthly Board updates on the FY21 Budget Outreach activities through Board adoption in September 2020. Below is the tentative schedule of the FY21 Budget Outreach for stakeholders and community meetings.

Stakeholder and Public Outreach Efforts	
Metro FY21 Budget Briefing – Regional Service Councils	Sept. 3
Technical Advisory Committee (TAC)	Sept. 2
Citizens Advisory Council (CAC)	Sept. 4 & 23
Bus Operator Subcommittee (BOS)	Sept. 15
Local Transit Systems Subcommittee (LTSS)	Sept. 17
Streets & Freeways Committee	Sept. 17
Public Hearing	Sept. 16

FINANCIAL IMPACT

This report is a status update of an overall Agency-wide proposed budget that will be presented to the Board and Board Staff for adoption consideration in September 2020. Submission of this Receive and File report will not have an immediate financial impact on the FY21 Budget.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

Recommendation supports strategic plan Goal # 5:

Provide responsive, accountable, and trustworthy governance within the LA Metro organization

NEXT STEPS

Staff will continue to develop and finalize the FY21 Proposed Budget. Regular updates to the Board will take place with more budget details. Metro will continue its outreach efforts to stakeholder groups for in-depth and technical discussion of transit services and transportation program priorities included in the FY21 Proposed Budget. The programs identified and funded in the budget, including any updates since the first review with the Board will be consolidated and shown in the FY20 Proposed Budget Book 14 days before the Budget Public Hearing on September 16, 2020.

ATTACHMENTS

Attachment A - Transportation Infrastructure Development

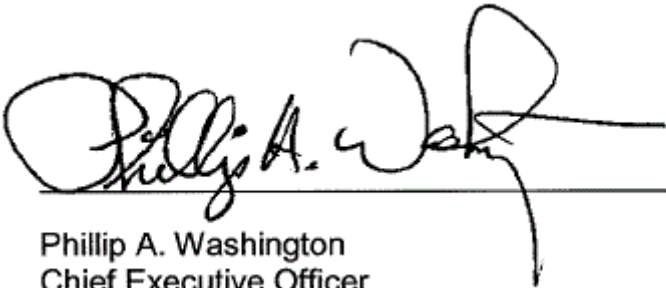
Attachment B - Metro Transit: Operations & Maintenance and State of Good Repair

Attachment C - Subsidy Funding, General Planning and Programs, Congestion Management, Oversight and Administration, and Debt Service

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