



Board Report

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Agenda Number:

EXECUTIVE MANAGEMENT COMMITTEE NOVEMBER 17, 2022

SUBJECT: EQUITY FOCUS COMMUNITIES REPORT BACK ON FY24 BUDGET DEVELOPMENT

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the report back on using 2022 Equity Focus Communities (EFCs) to prioritize investments during the development of the Metro FY24 budget.

ISSUE

During the August 2022 Executive Management Committee (EMC) meeting, Director Garcetti requested a report back by the end of 2022 on the plan for using the newly updated 2022 Equity Focus Communities (EFC) map to prioritize funding during the development of Metro's FY24 budget.

BACKGROUND

During the May 2022 Executive Management Committee (EMC) meeting, Director Garcetti requested a report back in August 2022 on recommendations for using the newly updated 2022 Equity Focus Communities (EFC) map to prioritize funding during the development of Metro's FY24 budget. At the August 2022 EMC meeting, staff presented a plan to develop an EFC budget baseline that 1) identifies the percentage of Metro's FY23 budget that provides targeted benefits in EFCs and for people living and working in EFCs and 2) guides FY24 investments through the agency's second Equitable Zero-Based Budgeting (EZBB) process. EFCs are defined as census tracts with the highest concentration of people and households that are low-income, Black, Indigenous, and other People of Color (BIPOC), and zero car households.

A goal of the FY24 EZBB is to achieve equitable investments and targeted benefits for EFCs, representing 40 percent of Los Angeles County. Staff planned to categorize FY23 investments based on EFC benefits to calculate the FY23 budget equity baseline percentage. The 2022 EFC map incorporates 40 percent of Los Angeles County; by definition, EFCs have very high and high mobility investment needs. Metro's budget needs to invest more than a 40 percent share of the budget for the 40 percent of the population designated as EFCs to ensure equitable outcomes. The FY23 budget equity baseline, as proposed, would start the process of reaching these equitable outcomes through the upcoming FY24 EZBB process.

DISCUSSION

Staff refined the FY23 investment categories and developed the FY23 Equity Focus Communities (EFC) Budget Assessment Baseline tool (“Baseline tool”) to identify impacts to EFCs. The Baseline tool allowed staff to categorize expenses from the FY23 approved budget into the following definitions:

- EFC Benefits
 - Targeted Benefits
 - Indirect Benefits
- No EFC Benefits
- Formula-based Investments
- Administrative or Technical Support

Targeted Benefits: A critical element of equity is intention, such as intentionally prioritizing resources based on need or to address disparities, or intentionally centering experiences of historically marginalized groups. “Targeted benefits” demonstrate positive impacts from Metro’s projects, programs, policies, and services that are *intentionally targeted towards EFCs*.

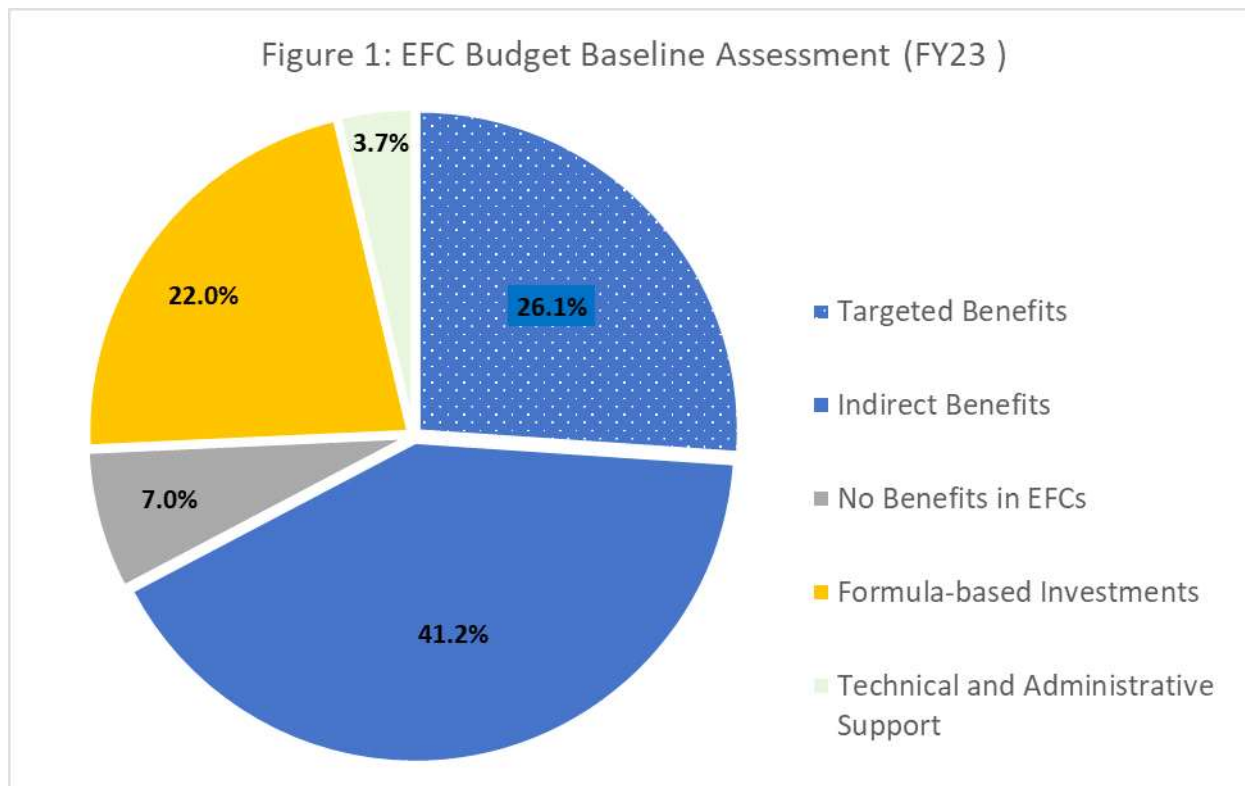
Indirect Benefits: Transit is a public service that can provide a mobility option for all but tends to be used more often by people with fewer transportation choices. Metro serves a core ridership that is disproportionately lower income, non-white, and without access to a vehicle. Therefore marginalized communities, including EFCs, are often overrepresented in receiving these “indirect benefits” from many of Metro’s projects and services, even if not specifically targeted.

No EFC Targeted/Indirect Benefits: Metro also allocates expenditures that cannot demonstrate a Targeted or Indirect Benefit for people and businesses in EFCs. These investments provide general, systemwide, countywide, or other local benefits.

Formula-based Investments: Approximately 22 percent of Metro’s revenue resource allocations are based on formulas and laws. Metro has limited influence on how these allocations are invested. However, formula-based investments include EFCs.

Administrative or Technical Support: Metro’s annual budget also includes expenditures that provide strictly administrative or technical support, such as internal processing systems, office supplies, and administrative licenses.

Staff calculated the FY23 EFC Budget Assessment preliminary baseline of 67.3 percent of the agencywide FY23 budget allocated towards EFC benefits, excluding Formula-based investments. (see Figure 1).



Summary takeaways from Figure 1 include:

- Amongst total benefits combined, a little more than two-thirds were categorized as having Targeted or Indirect Benefits.
- The 22 percent of FY23 investments categorized as Formula-Based vary in distribution across the county. Staff is working to gather more detailed information and more accurately calculate the percentage of investments that provide Targeted and/or Indirect Benefits to EFCs.
 - Roughly 27% of this category are formula allocations for municipal transit operators, which could at least be considered Indirect Benefits to EFCs, as those funds are going to cities and transit operators that serve EFCs.
 - Around 40% of the category are formula allocations for local return, which is provided to all cities and unincorporated LA County, including EFC's.

The primary purpose and goal of the EFC Budget Assessment is to act as one guide for annual budget planning to maintain an equitable portion of Metro's budget investments benefitting EFCs. Staff will reference their respective department-level FY23 EFC Assessment Baseline percentages to assist in prioritizing budget requests during the FY24 EZBB process.

A notable opportunity for improvement is for departments to identify ways to increase the proportion of Targeted Benefits towards EFCs within their annual budget requests through the FY24 Equitable Zero-Based Budget process. In future fiscal years, staff will continue to use the EFC Budget Assessment as a guide to increasing the proportion of Targeted Benefits and to advance equitable

investments during the agency's annual budget process.

EQUITY PLATFORM

The Equity Focus Communities (EFC) map continues to be a geographic tool and resource to identify regional inequities and mobility needs across Los Angeles County. As Metro deepens its implementation of budget equity, the EFC map has been leveraged to assess and prioritize investments to serve those with the highest needs.

With over two-thirds of the FY23 Metro budget providing benefits to EFCs, the agency will continue to allocate and identify new opportunities to prioritize resources toward communities with the greatest need for mobility investments.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This recommendation supports strategic plan goals #1.1, 3.1, 3.2, 3.3, and 3.4 by helping Metro to target infrastructure and service investments toward those with the greatest needs and enhancing communities and lives through mobility and access to opportunity. Implementation of the equity framework is an explicitly recommended action under the goals 1.1 and 3.3, and it supports actions under 3.1, 3.2, and 3.4.

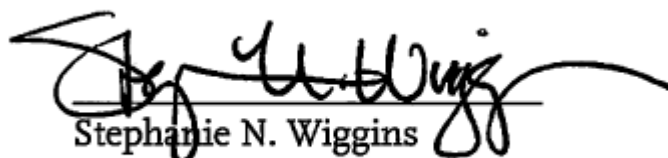
NEXT STEPS

Staff will continue to build on lessons learned from the FY23 Equitable Zero-Based Budgeting (EZBB) process to identify impactful and feasible opportunities to prioritize EFCs in the FY24 budget. The EFC Assessment will be regularly reviewed and refined to ensure appropriate application to Metro's budget.

ATTACHMENTS

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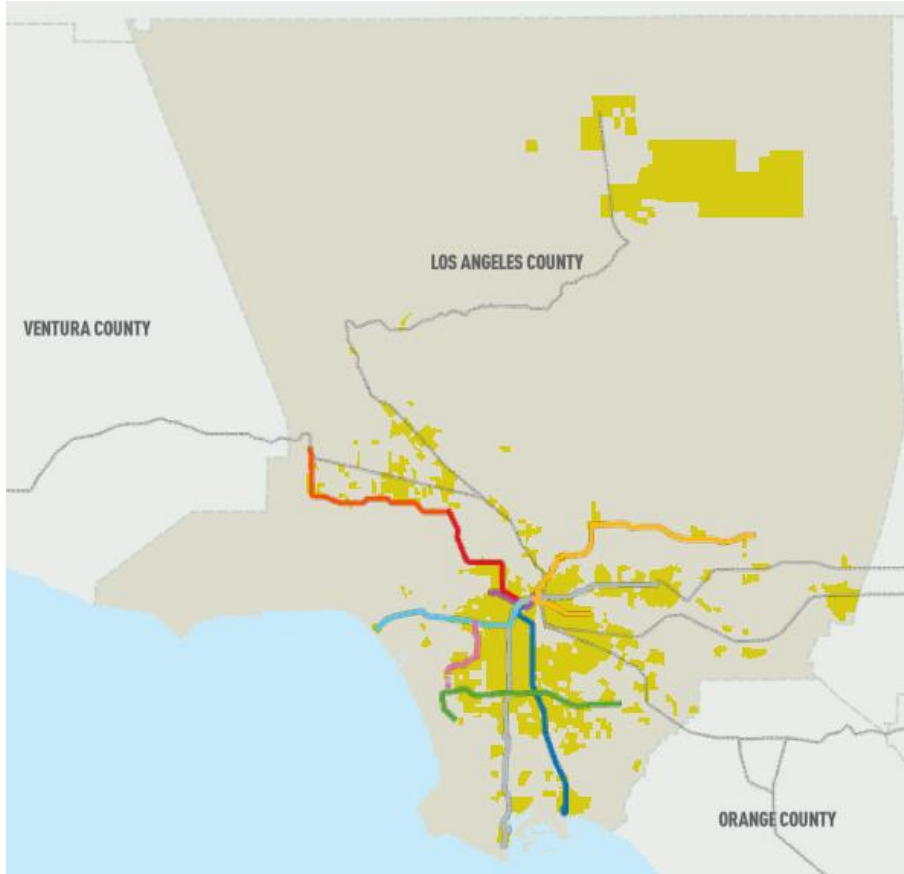
Equity Focus Communities Report Back: FY24 Budget

Executive Management Committee – November 17, 2022

Overview

- 2022 Equity Focus Communities (EFC)
- FY23 EFC Budget Baseline
- Next Steps: FY24 Budget Planning

2022 Equity Focus Communities



- Greatest concentration of:
 - **Low-income HH**
 - **BIPOC population**
 - **Zero-car HH**
- ~40% of Los Angeles County
- Updated in 2022:
metro.net/2022EFCmap

FY23 EFC Budget Baseline

EFC Impact Category	Definition
1: EFC Benefits - Targeted	Demonstrate positive impacts <u>intentionally</u> targeted towards EFCs
2: EFC Benefits - Indirect	Positive impacts for EFCs (but not intentionally targeted)
3: No EFC Benefits	Countywide or non-Targeted/non-Indirect benefits to EFCs
4: Formula-based	Allocations based on formulas and laws (funds EFCs and Non-EFCs)
5: Administrative/Technical	Strictly administrative or technical support

EFC Budget Baseline

EFC Benefits (\$)

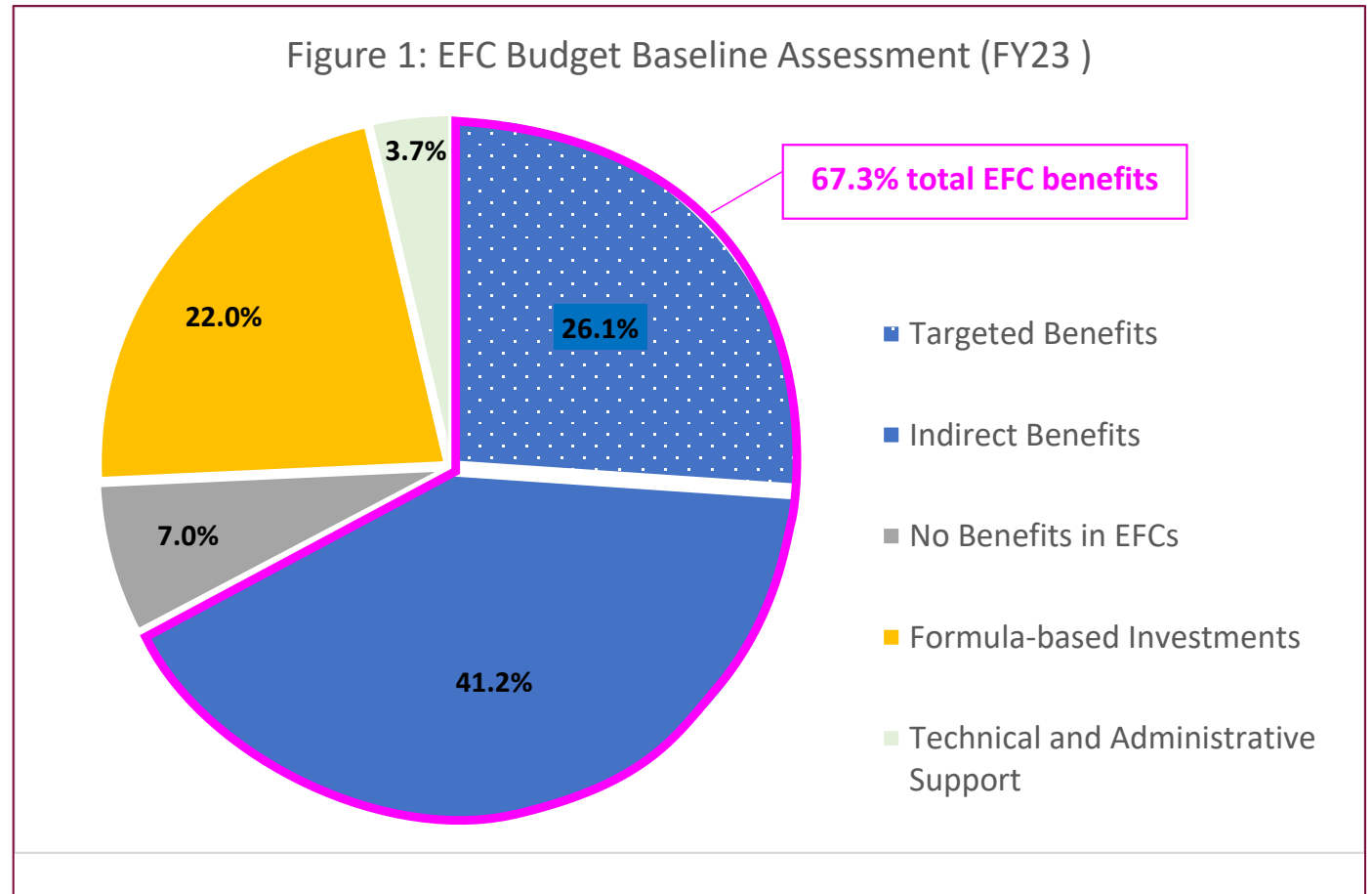
Total FY23 Budget (\$)

=

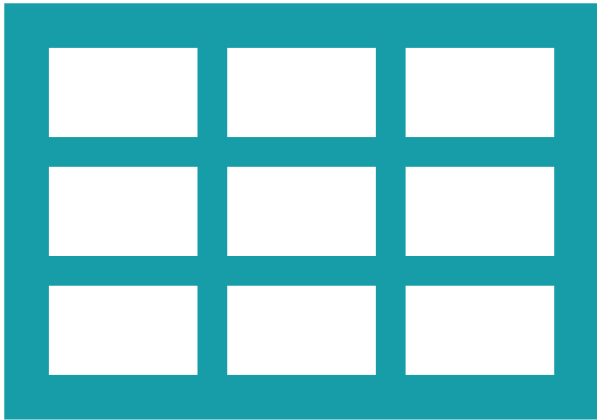
FY23 EFC Assessment (%)

FY23 EFC Budget Baseline

- ~ 67% were categorized as having EFC Benefits (Targeted or Indirect)
- Formula-Based vary in distribution across the county.
 - ~ 27% of Formula-Based: allocated to municipal transit operators
 - ~ 40% of Formula-Based: allocated to local return, based on population size formula (including EFCs)



Next Steps



- Incorporate EFC Budget Baseline into FY24 Budget Planning
- Identify opportunities to increase Targeted Benefits
- Complete EFC Budget Assessment for future fiscal years

Thank you!

Executive Management Committee – November 17, 2022