



Board Report

File #: 2023-0044, **File Type:** Informational Report

Agenda Number: 12.

**FINANCE, BUDGET, AND AUDIT COMMITTEE
FEBRUARY 15, 2023**

SUBJECT: FISCAL YEAR 2024 BUDGET DEVELOPMENT STATUS UPDATE

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Fiscal Year 2024 (FY24) Budget Development Status Update.

ISSUE

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

BACKGROUND

Metro’s strategic imperatives and priorities established by the CEO and Cabinet leaders will be incorporated into the FY24 Equitable Zero-Based Budget (EZBB) process to help prioritize and benefit our community, including riders, residents, and other stakeholders. In this year’s budget, Metro will strengthen efforts towards providing a reliable, safe, secure, and clean system with strategies and tactical solutions to help protect riders and agency employees. Metro plans to continue to put people and community first while delivering the best-in-class transit service that meets/exceeds customer expectations, maintain capital cost control with effective cost management, and remain financially sustainable with the near-term challenges ahead.

The focus of this report is the following:

- A. Financial Outlook Challenges and the Equitable Zero-Based Budgeting (EZBB) Development Process
- B. FY24 Resource Assumptions
- C. Consumer Inflation and Other Expense Assumptions
- D. Outreach Plan Update

DISCUSSION

A. Financial Outlook Challenges and the Equitable Zero-Based Budgeting (EZBB)

Development Process Update

Transit agencies nationwide face serious challenges as they continue recovering from pandemic-induced changes, struggling to fulfill essential service mandates and return to pre-pandemic ridership levels even after the end of federal stimulus funding. The term “fiscal cliff” is common in the industry and is being discussed as a session topic for the American Public Transportation Association (APTA) Mobility and Rail conferences. Metro is not immune to these financial pressures, making it imperative that every dollar is budgeted and spent wisely. While some transit agencies may be facing immediate fiscal challenges, others may not have the immediate need but are eminent.

In California we are working with transit agencies across the State to address this issue in a comprehensive and collaborative manner. The California Transit Association has gathered agencies together so that we can communicate to the State Legislature the size and scope of the problem as well as urging them to adopt solutions that will ensure the long-term viability of public transit. Through this work the Association will look to implement structural reforms to assist transit agencies and will develop long-term permanent funding solutions.

The federal stimulus funding was essential for transit agencies to continue to provide transit service. For Metro, the funding helped preserve jobs, maintain transit service, and mitigated the loss in fares. At the start of the pandemic, Metro acted quickly and implemented strong cost control measures enabling Metro to maintain financial stability to date. However, with Metro’s federal stimulus funding exhausted and the various efforts to recover from this pandemic ongoing, Metro has financial challenges ahead that require careful prioritization.

The FY24 Budget development process begins with Office of Management and Budget (OMB) estimating the resources available for the upcoming year, taking into account the current economic environment, past historical performance, and projections from leading economic organizations. The budget process will also identify ways to address the heightened security/safety and cleaning efforts as ongoing operational needs as well as plan for sustaining these operational conditions.

The EZBB methodology will help to maintain both an equity focus and cost control pressure on all the services, projects and programs Metro provides. The CEO determines the affordability thresholds by program for the coming fiscal year based on resource availability as well as taking into consideration the near-term financial challenges ahead. The agency is focused on aligning to a common set of strategic imperatives and priorities. Cabinet members will work within their departments and across the agency to evaluate and build their budgets, while considering public comments/feedback. The CEO and leadership team will carefully discuss and make prioritization and tradeoff decisions as necessary. There will also be regular interactions with the Board through Budget Briefings to review each program and any feedback is then integrated into the FY24 Budget before proceeding to the Board for final approval.

As the FY24 Equitable Zero-Based Budget (EZBB) progresses, more detailed budget proposals by program are developed. This month’s report includes the preliminary FY24 Resources Update. The amount of resources available is the starting point in developing the budget. The FY24 Budget is still under development, but we anticipate the areas covered in this report will lead to thoroughly weigh the priorities in curating Metro’s programs and operations in the most optimal way.

B. FY24 Resource Assumptions

Sales Tax Revenues

Metro uses multiple approaches and sources to project and validate estimated sales tax revenues including an economic sector model, regression analysis, long term and short term historical actual receipts, and leading professional forecasts of economic trends.

The local economy and labor market remain strong in the first quarter of FY23, with sales tax receipt actuals at 15% above the Q1 Budget totaling \$271.5 million per ordinance. FY23 Budget is re-estimated from \$1,031.8 million to \$1,158.0 million per ordinance given Q1 actual accounts for roughly 23% of the year-end total historically, a 6.1% projected increase from the FY22 Actual of \$1,091.5 million per ordinance.

To tame decades-high inflation, the Federal Reserve has been imposing aggressive measures to slow the economy and additional interest rate hikes are anticipated in calendar year 2023. Economic growth is expected to respond correspondingly and stabilize from the rapid pandemic recovery growth rates. These assumptions are factored into Metro’s economic sector and regression models which FY24 sales tax revenue projections reconcile closely at \$1,200.0 million per ordinance, a moderate increase of 3.6% from the FY23 Reforecast of \$1,158.0 million. Figure 1 displays Metro’s historical sales tax revenue actuals and latest projections for FY23 and FY24.

Figure 1:

	FY21 Actual	FY22 Actual	FY23 Reforecast	FY24 Assumption
1 (\$ in Millions)				
1 Sales Tax Revenue per Ordinance ⁽¹⁾	\$ 911.7	\$ 1,091.5	\$ 1,158.0 ⁽²⁾	\$ 1,200.0
2 % Change	10.5%	19.7%	6.1%	3.6%

⁽¹⁾ Proposition A , Proposition C, Measure R and Measure M. Transportation Development Act (TDA) sales tax revenue is approximately 50% of the other ordinances.

⁽²⁾ The FY23 Reforecast of \$1,158.0 million per ordinance is 12.2% above the FY23 Adopted Budget of \$1,031.8 million per ordinance.

Figure 2 compares Metro’s historical and current budget estimates to actual receipts and leading regional forecasts. FY24 sales tax revenue projections from UCLA, Beacon Economics and Muni Services are between \$1,103.8 million to \$1,232.4 million per ordinance, and Metro’s estimate of \$1,200.0 million falls within range.

Figure 2:

Sales Tax Revenue per Ordinance Forecast Comparison

(\$ in Millions)

Forecast Source	FY19	FY20	FY21	FY22	FY23 Reforecast	FY24 Assumption
1 Actual	\$ 846.8	\$ 824.7	\$ 911.7	\$ 1,091.5	\$ 1,158.0 ⁽¹⁾	
2 Metro- Adopted	\$ 844.0	\$ 873.0	\$ 778.1	\$ 865.0	\$ 1,031.8	\$ 1,200.0 ⁽²⁾
3 UCLA	\$ 863.6	\$ 838.1	\$ 770.2	\$ 794.4	\$ 1,058.1	\$ 1,103.8
4 Beacon Economics	\$ 835.4	\$ 843.5	\$ 892.3	\$ 896.7	\$ 1,013.4	\$1,091.7 - \$1,232.4
5 Muni Services	\$ 827.7	\$ 868.1	\$ 737.3	\$ 881.7	\$ 1,017.1	\$ 1,145.1

⁽¹⁾ FY23 Sales Tax Revenue per Ordinance Reforecast as shown in Figure 1.

⁽²⁾ FY24 Assumption.

Other Resources

Toll, Advertising and Other

Toll revenues are projected to be \$65.5 million in FY24 which include ExpressLanes usage and violation fees from the existing I-10, I-110. Advertising revenue is expected at \$28.3 million which is based on anticipated contract modifications that will address long-term depressed ad sales from the pandemic impact as well as decrease in commercial sponsorships. Other revenues include bike program, Union Station, park and ride, lease, film, Service Authority Freeway Emergencies (SAFE), auto registration fees, transit court fees, federal Compressed Natural Gas (CNG) tax credit, Low Carbon Fuel Standard (LCFS) credit sales, investment income, and other miscellaneous revenues are anticipated at a total of \$89.2 million in FY24.

Passenger Fares

Passenger fares are assumed to grow as transit ridership continues to increase as the pandemic subsides, some telecommuters return and use transit, service is restored, the homelessness issues and safety on the rail system improve. It is also anticipated that opening of the Regional Connector and the K Lines attracts new fare paying riders.

Passenger fares has been reforecasted to \$118.5 million, based on actual FY23 Q1 and Q2 revenues, which is 10.8% over the FY23 budget. The FY24 budget estimates fare revenues at \$146.8 million. This amount assumes the implementation of the Board approved fare policy changes and fare capping and is planned to launch by Summer 2023. Additionally, Transit operations projects a modest increase in ridership of 3%, which is 72% of pre-pandemic ridership levels.

State Transit Assistance (STA)/Senate Bill 1 (SB1) Revenues

STA and SB1 are sales tax revenues dependent on actual consumption and the price of diesel and gasoline. The FY24 assumption is \$214.6M, which is based on The State Controller’s Office (SCO) February 2023 estimates.

STA funding is partly apportioned by revenue share (qualifying revenues reported by transit

agencies) across the state. The use of federal stimulus funding over the last few years to support transit operations may impact STA apportionments, as these are not qualifying local revenues. Apportionments will be dependent on the use of federal stimulus funding throughout the state and the revised estimates that factor in the qualifying revenues will be available in August, after budget adoption.

Grant Resources

Local, state and federal grant resources are used to support Metro's transit planning, operating, State of Good Repair and construction activities. FY24 includes the first full year of funding from the Federal Infrastructure Investment and Jobs Act (IIJA), which significantly increases federal funding provided by the Fixing America's Surface Transportation (FAST) Act.

Governor Newsom's recently proposed budget is a mixed bag for transportation in general and transit in particular. Outside of increases in federal funds that flow through the state budget, the Governor's proposal provides flat to declining revenues for transit. Advocacy efforts are already underway statewide to highlight the needs of public transit at the state level.

Metro staff continue to aggressively pursue discretionary grant opportunities at both the state and federal levels. Metro's significant local funding can be used as matching funds to leverage our local commitment to continue providing safe and efficient transit operations and maintain momentum on the Measure R and M programs.

Bond Proceeds and Prior Year Carryover

Debt issuance is authorized by applicable federal and state legislation and the local sales tax ordinances. The Board-adopted Debt Policy establishes parameters for the issuance and management of debt that follow best practices and set affordability limits. New debt issuance will be used as a last resort to mitigate the shortfalls in State of Good Repair, transit construction and highway activities.

In FY23, \$1,174.3 million of debt proceeds and prior year carryover are available for transit expansion, highway, State of Good Repair and Transit Improvement/Modernization projects. The debt amounts for FY24 will be determined at a later stage as we finalize the FY24 expense budget and are subject to CEO approval.

Resource Assumption Summary

Refer to Figure 3 below, the 3.6% projected growth in sales tax and TDA revenues are offset by the decrease in federal stimulus funding related to the pandemic. The American Rescue Plan Act (ARPA) is ending in FY23 and no additional federal stimulus funding is assumed in FY24. Line 6 in Figure 3 represents a total decline of 14.6% in overall revenues excluding Grants, Bond Proceeds and Prior Year Carryover.

Figure 3:

Resources (\$ in Millions)	FY23 Reforecast	FY24 Assumption	% Change
1 Sales Tax and TDA Revenues ⁽¹⁾	\$ 5,211.0	\$ 5,400.0	3.6%
2 STA and SB1 Revenues ⁽²⁾	225.6	214.6	-4.9%
3 Passenger Fares ⁽³⁾	118.5	146.8	23.9%
4 Toll, Advertising and Other ⁽⁴⁾	169.0	183.0	8.3%
5 ARPA ⁽⁵⁾	1,239.5	-	-100.0%
6 Subtotal Resources	\$ 6,963.6	\$ 5,944.4	-14.6%
7 Grant Resources ⁽⁶⁾	1,180.7	TBD	
8 Bond Proceeds and Prior Year Carryover ⁽⁶⁾	1,174.3	TBD	
9 Total Resources	\$ 9,318.6	TBD	

Note: Totals may not add due to roundings.

⁽¹⁾ Sales Tax (Proposition A, C, Measure R and M) and TDA Revenues reflect current year revenues only. The percentage change of 3.6% compares the FY24 Assumption of \$1.20 billion per ordinance to the FY23 Reforecast of \$1.16 billion per ordinance. Any (estimated) prior year carryover will be reflected on line 8 which will be revised throughout the remainder of the annual budget process.

⁽²⁾ STA and SB1 STA Revenue estimates from the State Controller's office are reduced by 10% for the revenue base share and population-base share due to anticipated shortfall of FY24 revenue. SB1 SGR revenue estimates from the State Controller's Office is reduced by 5% due to the anticipated shortfall of FY24.

⁽³⁾ The FY23 fare revenues has been reforecasted to reflect the estimated annual FY23 fare revenues, which are based on FY23 Q1 and Q2 actual revenues received. The FY24 amounts assume the implementation of the Board approved Fare Policy changes and assumes a modest 3.0% growth in ridership (about 72% of pre-pandemic ridership).

⁽⁴⁾ Toll, Advertising, and Other FY24 revenue estimates are projected at \$183.0 million, a 8.3% increase from the FY23 Reforecast of \$169.0 million primarily due to extension of federal CNG tax credits for calendar years 2022 and 2023, which offsets the decrease in Advertising revenue and LCFS credit sales.

⁽⁵⁾ No additional federal stimulus funding is assumed in FY24.

⁽⁶⁾ The estimates for FY24 Grants, Bond Proceeds and Prior Year Carryover will be updated when information becomes available.

C. Consumer Inflation and Other Expense Assumptions

Cost Inflation Indicator - Consumer Price Index (CPI)

CPI historical actual and projected growth rates from Metro and regional economic forecasting sources are presented in Figure 4 below. FY23 year-to-date CPI growth rate is 4.59%, a 1.95% decline from the FY22 actual indicating the pace of inflation is slowing. The Federal Reserve has signaled intentions to continue rate hikes into calendar 2023 to tackle the high inflation, and CPI growth is therefore expected to moderate and settle at the UCLA's projection of 3.71% in FY24 (Figure 4). OMB will continue to monitor CPI trends and updates from the economic forecasts as we go through the budget process.

Figure 4:

Annual Change in Consumer Price Index (CPI)

Forecast Source	FY18	FY19	FY20	FY21	FY22	FY23	FY24
1 Actual	3.48%	3.40%	2.48%	2.30%	6.54%	4.59% ⁽¹⁾	
2 Metro	1.75%	2.25%	2.28%	2.30%	2.00%	3.30%	3.71% ⁽²⁾
3 UCLA	2.78%	2.42%	2.60%	2.19%	1.68%	3.78%	3.71%
4 Beacon Economics	2.00%	2.15%	1.83%	2.30%	2.07%	3.86%	2.36%

⁽¹⁾ Reforecasted figure based on FY23 YTD actual. FY23 Adopted Budget is 3.30%.

⁽²⁾ FY24 Assumption.

Other Expenses

Wages and Benefits

Metro's labor and fringe benefit costs will adhere to the respective collective bargaining agreements (CBA).

Growing Cost in Project and Service Deliveries and Other Fiscal Challenges in FY24

Although inflation has been trending down in the recent months, tight labor market, rising demand for goods, and supply chain disruptions continue to push prices in delivery of Metro services and projects above the historical average. Metro also faces other fiscal challenges such as slowing sales tax and other resource growth due to economic slowdown, discontinuation of the federal stimulus funds, higher debt borrowing costs, escalating electrification efforts, heightened security/safety and cleaning efforts, continuation of costs with new lines opening, and incremental costs for new initiatives. These challenges along with the uncertainty caused by the ongoing pandemic have specific financial implications to the available funding for FY24 and may intensify our affordability gap in the near-term. In the upcoming budget development, the trade offs for each program and transit services will be thoroughly reviewed in the monthly reports.

D. Outreach Plan Update

Engaging our customers, key stakeholders and the public through an equitable, transparent, and comprehensive process is vital to fulfilling Metro’s vision and mission. With our goal of continuously improving the budget outreach process, below is a list of engagement and outreach efforts that have been accomplished in addition to those that will be conducted to continue to show how listening and learning from our customers, key stakeholders, and the public is an integral part of the budget development process.

Telephone Town Hall Meetings

CEO Stephanie Wiggins, Chair Najarian, Director Barger, and SLT members participated in the first two Telephone Town Hall meetings on October 18, 2022 and January 17, 2023. One more is scheduled on March 28, 2023. The public is invited to attend to have their questions answered about

the budget and Metro services. Callers provide thoughts that will help influence how Metro will use public funds when developing the Budget.

My Metro Budget

Through a collaborative effort between all departments and OMB, a new interactive “My Metro Budget” public learning and feedback activity was created. This program was hosted on the Finance and Budget portal (<http://budget.metro.net>). Additionally, unique links that were a part of a new marketing approach using QR codes were distributed digitally, on vehicles, and with blue shirts. See: <http://mybudget.metro.net/>. This allowed for the segmentation and later aggregation of data to identify pain points of our riders in regions and commonly across the system. The responses to these questions and comments will provide keen insight to departments on how Metro should shape its FY24 Budget.

Outreach Efforts

This year, an emphasis is placed on marketing that engages with our Equity Focus Communities (EFC) and has yielded more participation from underrepresented communities and riders than previous years. The FY24 Budget development process will continue to be advertised through multiple modes, including the budget portal, e-blasts, social media campaigns, traditional advertising, advertisements aboard Metro vehicles, and flyer distribution by metro station staff, to reach all Los Angeles County residents. See Attachment A for a list of the public forums and media channels that will be utilized.

DETERMINATION OF SAFETY IMPACT

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

EQUITY PLATFORM

The FY24 EZBB development begins with the evaluation process that provides flexibility to focus resources on Metro’s core missions, key initiatives, and priorities. Budget Equity is a top priority in the FY24 Budget development as Metro carries out its initiatives and impacts all communities throughout Los Angeles County. Furthermore, the FY24 Budget will align with principles that highlight how public transit can be equitable, sustainable, economically productive, safe, and Americans with Disabilities Act accessible.

The ongoing Metro Budget Equity Assessment Tool (MBEAT) incorporates equity into the development of the FY24 Annual Budget. Staff also incorporated a more detailed geographic equity measure into budget development by conducting EFC Budget Assessments for both the FY23 approved budget and for the FY24 budget finalized later this year. Implementation of MBEAT and the EFC Budget Assessment will assess equity impacts that will identify access to opportunities and reduce potential barriers or harms. Furthermore, it incorporates three of the four pillars of the Equity Platform, specifically “Define and Measure,” “Listen and Learn” and “Focus and Deliver.”

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

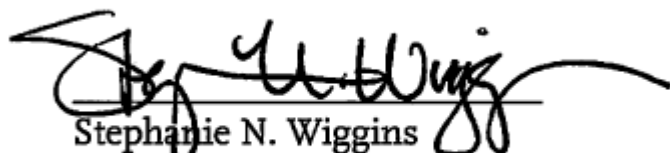
Next month's FY24 Budget process update will address Transit Infrastructure Expansion, Multimodal Highway Investments, Regional Rail, as well as Regional Allocations and Pass-Throughs.

ATTACHMENTS

Attachment A - FY24 Budget Public Engagement and Outreach Forums

Prepared by: Joshua Marquez, Transportation Planner, (213) 922-7412
Jessica Lai, Director Budget, (213) 922-3644
Timothy Mengle, Deputy Executive Officer Finance, (213) 922-7665
Perry Blake, Sr. Executive Officer Finance, (213) 922-6171
Irene Fine, Sr. Executive Officer Finance, (213) 922-4420

Reviewed by: Nalini Ahuja, Chief Financial Officer, (213) 922-3088



Stephanie N. Wiggins
Chief Executive Officer

FY24 Budget Public Engagement and Outreach Forums

- Public Hearing - A public hearing on the Proposed FY24 Budget will be held on May 17, 2023 and the public is encouraged to participate to provide their comments on the proposed budget to the Board. Notices of the public hearing will follow the most up-to-date statutory requirements (multiple languages, published in multiple newspapers, etc.)
- Proposed FY24 Budget Briefing/Regional Service Councils - Metro's Five Service Councils are located throughout the County to allow residents more opportunities for input on service issues in their communities. Two Budget Briefings will be scheduled in late January and early April 2023 for interested residents to learn about the budget process and for Metro to obtain direct and immediate feedback from our transit riders on their transit priorities.
- The Source/EI Pasajero/Facebook/Instagram/Twitter/Next Door - Staff will be using Metro's social media outlets to inform the public about the FY24 Proposed Budget and feedback on the proposed budget including Instagram Stories, Organic Facebook posts/ads, Next Door announcement and Twitter posts.
- My Metro Budget – This is an interactive activity that will allow Metro to acquire feedback and comments from the public and key stakeholders early in the Budget Development process. It was launched in October 2022 through social media outlets such as E-Blast email, Facebook, Instagram, Next Door, Twitter, QR codes on Bus Card Cards and physical flyer which were distributed at stations and on vehicles. Results from the My Metro Budget will be shared with Metro departments for consideration in the development of the FY24 Proposed Budget.
- Finance and Budget Portal - An FY24 Budget portal that can be accessed through www.budget.metro.net will provide regular updates on the budget process, budget details as they become available each month, and offer opportunity for the public to provide their comments. The website will include information on schedules of stakeholder meetings and forums for the public to fully engage in the budget process.
- E-mail - budgetcomments@metro.net has been established to allow the public an opportunity to comment outside of a public setting.

- Internal and External Stakeholder Meetings - Stakeholders range from jurisdictions and other public agencies that receive funding from Metro to community groups and other organizations throughout Los Angeles County that promote and/or rely on Metro services. Meetings and forums will be scheduled in April and May 2023. These meetings include and are not limited to a Public Hearing, Metro Regional Service Councils, Council of Governments (COGS), Citizens Advisory Councils (CAC), Public Safety Advisory Committee (PSAC), Policy Advisory Committee (PAC), Technical Advisory Committee (TAC), Bus Operators Subcommittee, (BOS), Local Transit Systems Subcommittee (LTSS), and Streets and Freeways Subcommittee, Aging, Disability and Transportation Network (ADTN), Accessible Advisory Committee (AAC) and other community group meeting as requested.

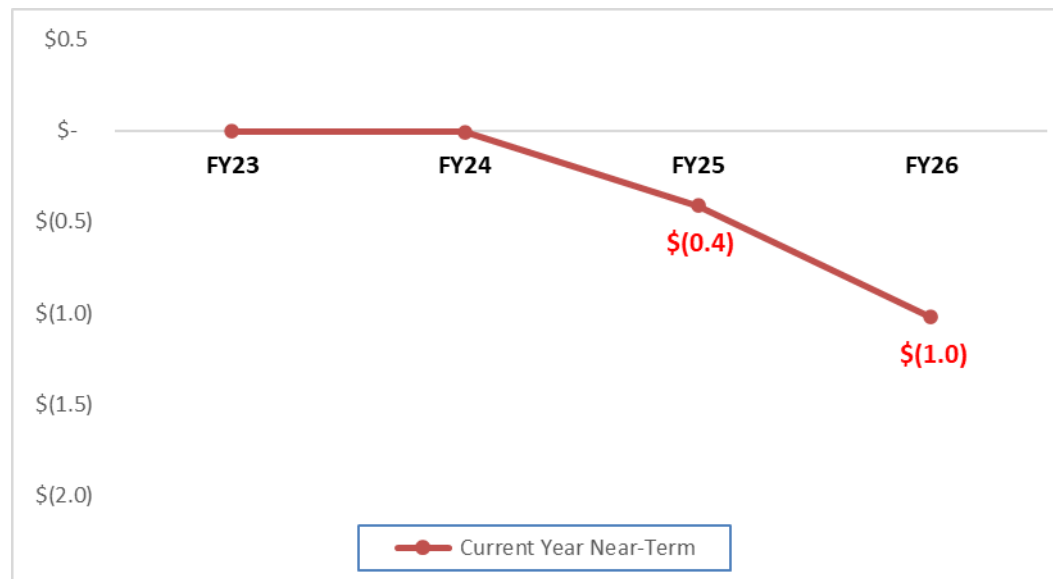
FY24 Budget Development Update

Finance, Budget and Audit Committee

February 15, 2023

Financial Outlook Challenges

- Metro's Near-term Affordability gap starts in FY25 and widens to \$1.0B by the end of FY26
 - Continue to recover from pandemic-induced changes
 - No more one-time federal stimulus funding
- **Transit:** Growing costs driven by escalating electrification efforts, costs with new lines opening, and incremental costs for new initiatives
- **Transportation Infrastructure Development (TID):** Additional risks beyond FY26 due to projected overruns exceeding what is available in dedicated funding
- Metro is not immune to the financial pressures and challenges facing the industry, making it imperative that every dollar is budgeted and spent wisely



Metro and Leading Forecasts in LA County

- Metro's economic sector model was updated to project sales tax revenues in FY24 using the following assumptions:
 - Growth is projected to slow dramatically in the first half of FY24 and begin a gradual recovery in the second half of the year
 - No recession is anticipated; however, there is a greater downside risk than in the last two years
 - Inflation will continue to fall but remain above Fed targets and recent historical levels
- Staff also ran a multiple regression analysis of Metro sales tax receipts
- Both sets of results were compared with leading local economic forecasts

FY24 Sales Tax Revenue Projection by Economic Sector by Quarter, based on Year-over-Year Quarterly Growth

	Q1Δ	Q2Δ	Q3Δ	Q4Δ	AnnualΔ
General Retail	4.5%	3.6%	5.1%	4.3%	4.3%
Food Products	4.6%	3.5%	5.9%	5.9%	4.9%
Transportation	3.2%	3.1%	2.6%	4.9%	3.5%
Construction	2.0%	2.1%	3.9%	5.4%	3.4%
Business To Business	1.5%	1.5%	1.4%	2.2%	1.7%
Miscellaneous	1.3%	1.7%	1.6%	2.1%	1.7%
Total	3.4%	2.9%	3.8%	4.4%	3.6%

Regression Analysis Result

Fiscal Year	Estimated Unemployment Rate (in %)	Estimated CPI	Estimated LA County Population (in Thousand)	Estimated Wayfair Impact (\$ in Million)	Total Estimated Sales Tax per Ordinance (\$ in Million)
FY24	5	323	9,865	\$ 203	\$ 1,200



FY24 Resources Summary – Preliminary Estimate

- FY24 sales tax revenue is anticipated to grow 3.6% from \$1,158 million (reforecast) to \$1,200 million per ordinance
- STA and SB1 revenues based on state projections
- FY24 fare revenues expected to be \$146 million; assumes implementation of the Board approved Fare Policy changes and a modest 3% growth in ridership
- Toll, Advertising, and Other FY24 revenue estimates are projected to increase to \$183 million
- No additional federal stimulus is assumed in FY24.

Resources (\$ in Millions)	FY23 Reforecast	FY24 Assumption	% Change
1 Sales Tax and TDA Revenues ⁽¹⁾	\$ 5,211.0	\$ 5,400.0	3.6%
2 STA, SB1 STA and SB1 SGR Revenues ⁽²⁾	225.6	214.6	-4.9%
3 Passenger Fares ⁽³⁾	118.5	146.8	23.9%
4 Toll, Advertising and Other ⁽⁴⁾	169.0	183.0	8.3%
5 ARPA ⁽⁵⁾	1,239.5	-	-100.0%
6 Subtotal Resources	\$ 6,963.6	\$ 5,944.4	-14.6%
7 Grant Resources ⁽⁶⁾	1,180.7	TBD	
8 Bond Proceeds and Prior Year Carryover ⁽⁶⁾	1,174.3	TBD	
9 Total Resources	\$ 9,318.6	TBD	

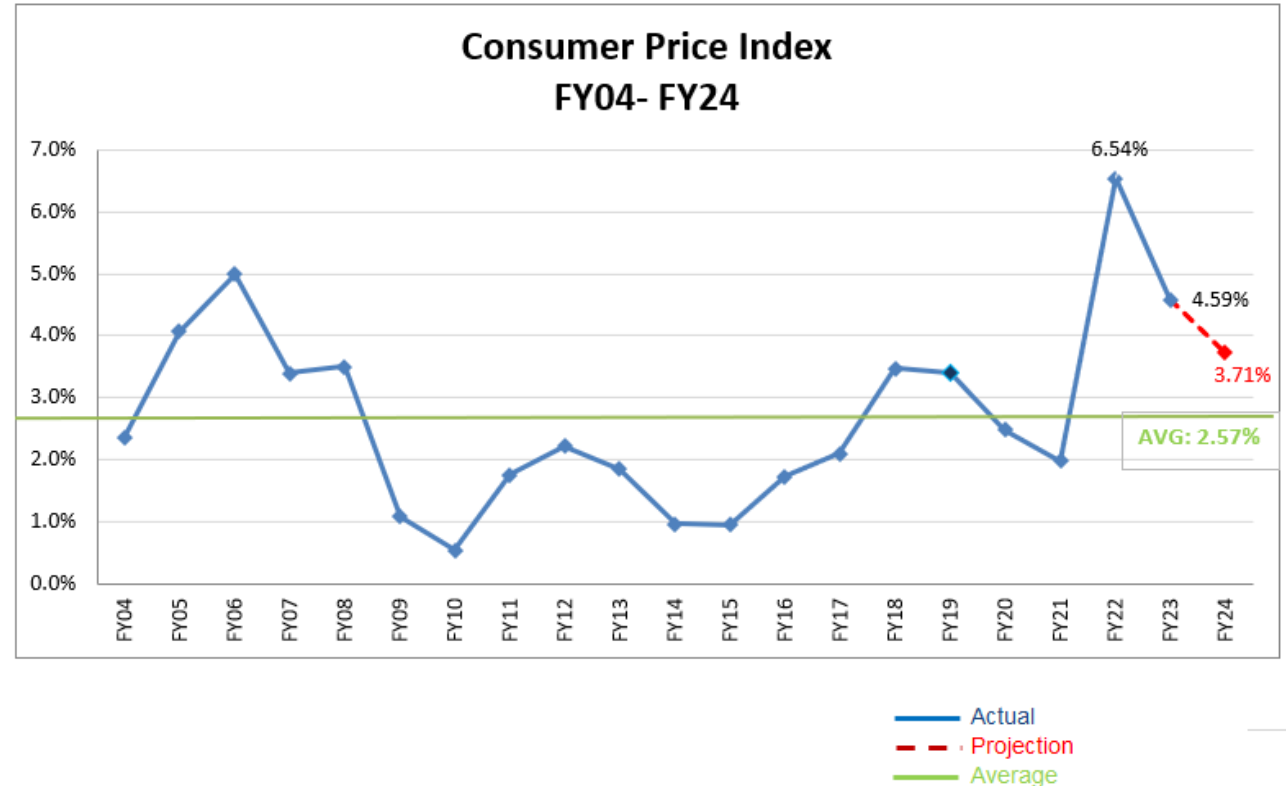


Key Considerations:

- Grant Resources: IIJA, Governor Newsom's proposed budget (FY24 estimates are TBD)
- Bond Proceeds and prior year carryover: Debt will be used as a last resort to mitigate the shortfalls in CIP, Transit Construction and Highway activities, and will be determined as the FY24 budget is developed. Prior year carryover will adhere to funding eligibility

Cost Inflation – Consumer Price Index (CPI)

- CPI measures the average change in prices for a basket of consumer goods
- The Federal Reserve has been taking aggressive measures to slow the economy to combat high inflation
- CPI is expected to slow in FY24 to 3.71% outpacing the projected sales tax revenue growth at 3.60%



Forecast Source	FY18	FY19	FY20	FY21	FY22	FY23	FY24
1 Actual	3.48%	3.40%	2.48%	2.30%	6.54%	4.59% ⁽¹⁾	
2 Metro	1.75%	2.25%	2.28%	2.30%	2.00%	3.30%	3.71% ⁽²⁾
3 UCLA	2.78%	2.42%	2.60%	2.19%	1.68%	3.78%	3.71%
4 Beacon Economics	2.00%	2.15%	1.83%	2.30%	2.07%	3.86%	2.36%

⁽¹⁾ Reforecasted figure based on FY23 YTD actual. FY23 Adopted Budget is 3.30%.

⁽²⁾ FY24 Assumption.

Other Expenses and Financial Risks

Collective Bargaining Agreements (CBAs)

- Metro's labor and fringe benefit costs will adhere to respective CBAs

Escalated Costs for Projects and Services in FY24

- Higher prices: Tight labor market, rising demand for goods, and supply chain disruptions
- CPI in FY24 is anticipated to be above the historical average

Financial Risks

- Slowing of sales tax and other resources
- Federal stimulus funds exhausted
- Higher debt borrowing costs
- Electrification efforts
- Heightened security/cleaning efforts
- New continued costs of rail line openings
- New Initiatives



Public Outreach & Stakeholder Engagement



October 2022

- **Telephone Town Hall**
- Launch My Budget Tool
Available in 9 Languages



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

- Community Advisory Council - Tentative

March 2023

- Community Advisory Council
- **Telephone Town Hall**
- Policy Advisory Council



April 2023

- San Gabriel Valley COG
- 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
- Bus Operators Subcommittee
- Accessibility Advisory Committee
- **Budget Public Hearing**

Note: Updated as additional meetings are scheduled.



ONGOING PUBLIC PARTICIPATION

Schedule & Next Steps



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



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



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



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



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