Metro

Los Angeles County Metropolitan Transportation Authority One Gateway Plaza 3rd Floor Board Room Los Angeles, CA

#### **Board Report**

File #: 2025-0257, File Type: Oral Report / Presentation

Agenda Number: 1.

#### SPECIAL BOARD MEMBER WORKSHOP APRIL 4, 2025

#### SUBJECT: BOARD WORKSHOP - CAPITAL BUDGET IMPACTS

#### ACTION: RECEIVE ORAL REPORT

#### RECOMMENDATION

RECEIVE an oral report on the capital budget drivers shaping Metro's near-term financial outlook. The workshop will provide the Board with an in-depth look at the operational impacts, anticipated risks, and strategic options to address emerging challenges.

#### ATTACHMENT

Attachment A - File ID: 2025-0026 Presentation

Prepared by: Melissa Wang, Deputy Chief Financial Officer, (213) 922-6024

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

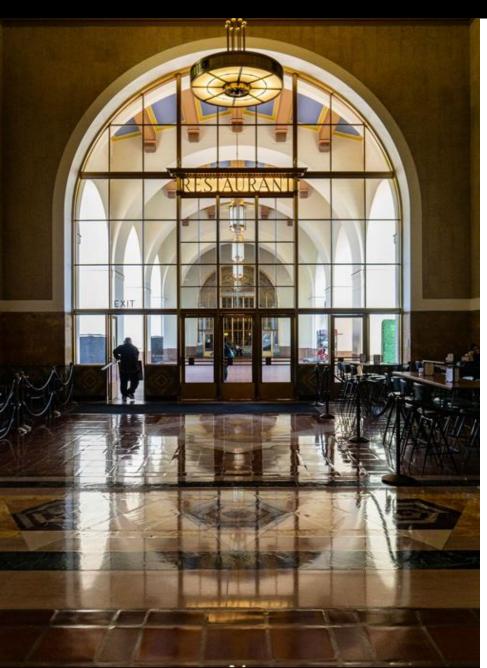
Chief Executive Officer

# FISCAL YEAR 2026 BUDGET DEVELOPMENT PROCESS – NEAR-TERM OUTLOOK AND ANTICIPATED CHALLENGES

February 2025 | Finance, Budget and Audit Committee



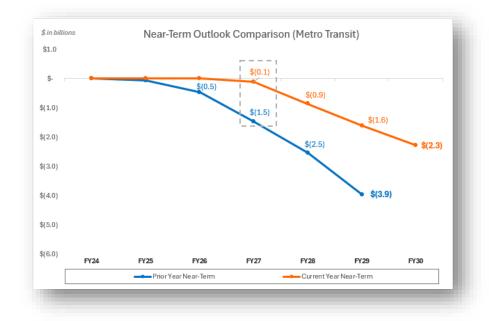
#### **Meeting Agenda**





- 1. Near-Term Financial Outlook
  - Near Term Outlook Deficit
  - Cost Growth Drivers Summary
- 2. Additional Risks and Challenges
- 3. FY26 Equitable Zero-Based Budgeting (EZBB)
- 4. Next Steps

- The Agency has improved prior year's Near-Term cumulative gap of \$1.5 billion in FY27 to \$0.1 billion per current year's Near-Term outlook as a result of:
  - Zero-Emissions Bus (ZEB) & infrastructure revised forecast
    - o Incremental grant revenues from SB125 ZETCP
  - Constrained and prioritized budgeting efforts through the Equitable Zero-Based Budgeting (EZBB) process
  - Delayed spending on capital projects based on year-end actuals
  - Board approved policy changes with newly established Transit Community Public Safety Department (TCPSD)
- However, a cumulative gap of \$900M remains by FY28 growing to \$2.3 billion by FY30 between the two programs:
  - Metro Transit Operations & Maintenance (O&M): cumulative \$1.3 billion deficit through FY30
  - Metro Transit Capital Improvement Program (CIP): cumulative deficit of \$1.0 billion through FY30



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*Note:* These figures do <u>not</u> include cost assumptions for the 2028 Games.

Near-Term Outlook: Changes on Metro Transit

• The Agency's Near-Term Outlook through FY30 includes continued cost growth in Metro Transit Operations & Maintenance (O&M) and Capital Improvement Program (CIP)

					Avg Annual		Avg Annual	
			Cu	rrent Near-	Growth		Growth	
	FY25	FY30	Ter	rm Outlook	Rate		Rate	
Cost Growth Drivers (in \$ Millions)	Adopted	Forecast	(	FY25-30)	(FY25-30)		(FY24-29)	% Change
Labor Costs	\$ 1,188.5	\$ 1,559.1	\$	8,148.0	5.6%		5.5%	0.1%
Parts, Fuel & Outside Services	714.1	961.4		5,019.4	6.1%		3.5%	2.6%
Public Safety	351.2	420.5		2,472.8	3.7%		6.2%	-2.5%
Cleaning	248.0	347.5		1,794.1	7.0%		5.5%	1.5%
Insurance, WC, PL/PD	192.3	253.6		1,336.7	5.7%		11.1%	-5.4%
System Expansion	15.2	113.0		457.2	7.0%	*	7.2%	-0.2%
TOTAL O&M	\$ 2,709.3	\$ 3,655.1	\$	19,228.1	6.2%		6.5%	-0.4%
ZEB and Infrastructure	\$ 107.8	\$ 436.9	\$	2,133.3	32.3%		54.7%	-22.4%

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- While every operational cost growth driver is anticipated to grow at a faster rate than sales tax revenues at **2.9%**, there are a few areas where the growth has slowed:
  - **Public Safety** due to Board Approval in establishing the Transit Community Public Safety Department (TCPSD)
  - Insurance/WC/PLPD premiums by reinstating the Operations Safety Steering Committee (OSSC), which
    meets quarterly to review risk exposure trends and evaluate mitigation measures
  - Zero-Emissions Bus (ZEB) & infrastructure costs due to forecast revision

6<u>1–1–1</u>) 2131 Near-Term Outlook: Changes on Metro Transit **F** 

continued

			Cu	rrent Near-	Avg Annual Growth		Avg Annual Growth		
	FY25	FY30	Ter	rm Outlook	Rate		Rate		
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- The remaining cost growth drivers are relatively flat or growing due to increased investments:
  - **Labor Costs** remain relatively flat even after incorporating the increases in the latest collective bargaining agreements starting in the current fiscal year and for the next five years
  - Parts, Fuel & Outside Services growth driven by high inflation, propulsion power, utilities, other parts & supplies and professional services
  - Cleaning Costs are driven by Metro's strategic investment in the expansion of its Station Experience initiatives and implementing technological innovations (i.e., Intelligent Cleaning Equipment (ICE) autoscrubbers, Elevator Open Door Program, etc.)
  - System Expansion remains relatively flat with annual openings through FY30, which will strengthen connectivity and enhance integration across our transit network

#### **Additional Risks and Challenges**



• As Metro works to mitigate the cost growth drivers presented in the Near-Term Outlook, there are additional risks and challenges that have not been quantified in the current forecast.

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- These additional risks that may impact the Agency in the Near-Term include:
  - Geopolitical uncertainty
  - Potential increases on tariffs and impact to Metro's purchase price
  - Change in tax exemption status
  - The availability and impact of traditional Federal programs and grants
  - Ongoing inflationary pressures
- Internal factors that also add financial pressure to the Agency include:
  - Operating Metro's expanding rail system in the future will be more costly than operating the same level of service today
  - Ongoing financial risks that stem from capital cost increases which may impact operations eligible funding
  - Preparation for the 2028 Olympic and Paralympic Games in absence of additional funding presents significant challenges

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#### **FY26 EZBB Process Development**



- FY26 EZBB objectives:
  - Collaborate internally and with the Board of Directors to implement cost controls and develop a balanced budget with limited resources

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- Continue efforts to mitigate and defer the Near-Term deficit
- Manage through economic slowdown that is expected to continue into the better part of FY26
- Continue to invest in the major cost growth drivers
- Development of program budgets will consider:
  - Actual spending trends
  - Capital project cashflows based on phase and schedule
  - Sustaining levels of bus and rail service as well as adjusting for new rail openings
  - Agency priorities that require continuous investment

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#### Next Steps: March – May 2025



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#### Infrastructure Planning and Construction:

- Transit Infrastructure Expansion
- Multimodal Highway Investments, Regional Rail
- Regional Allocations and Pass-Throughs

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

#### FY26 Proposed Budget:

• Public Hearing and Board Adoption



Apr.

## Metro Board of Directors

## Special Board Member Workshop



April 4, 2025

# Welcome



### Honorable Janice Hahn

Chair

# Opening Remarks

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#### **Honorable Tim Sandoval**

Chair Finance, Budget & Audit Committee

## Today's Agenda – What You Can Expect

- Background
- Three Deep Dives
- Pulse Questions
- Breakout Discussions



# Background



### Five Years Ago: Facing the Unknowns

### Los Angeles Times

### 'We are essential, too.' L.A. Metro bus drivers protest for coronavirus hazard pay

July 10, 2020 8 PM PT

Sept. 24, 2020 6:04 PM PT

#### TIME

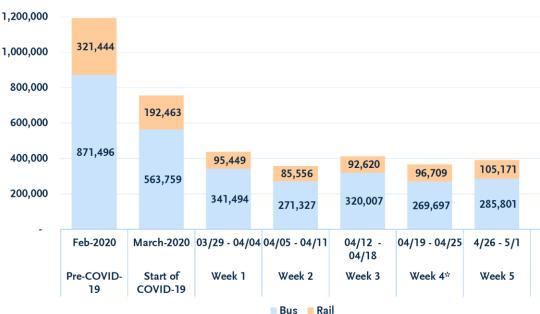
COVID-19 Has Been 'Apocalyptic' for Public Transit. Will Congress Offer More Help?

BY ALEJANDRO DE LA GARZA 💥 JULY 21, 2020 5:03 PM EDT

### Los Angeles Times

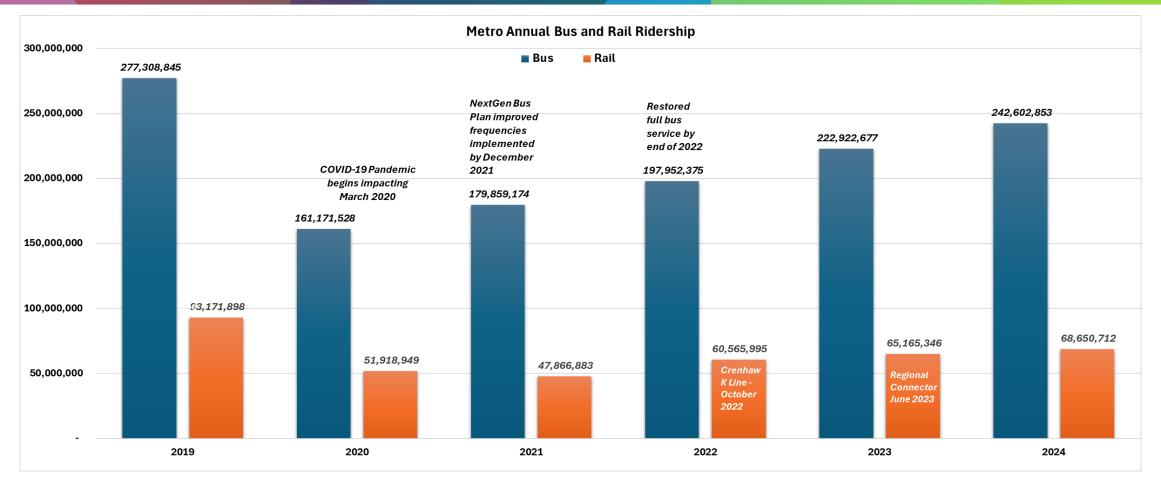
CALIFORNIA





SYSTEMWIDE AVERAGE WEEKDAY RIDERSHIP

### Five Years Later: Bus and Rail Ridership Recovery



- All day frequent service
- Operator recruitment and retention
- Multilayered approach to system safety
- Ambassadors

- Station Experience
- Cleanliness Initiatives
- Fare Programs
- Bus Priority Lanes

### Weekday Ridership by Time of Day

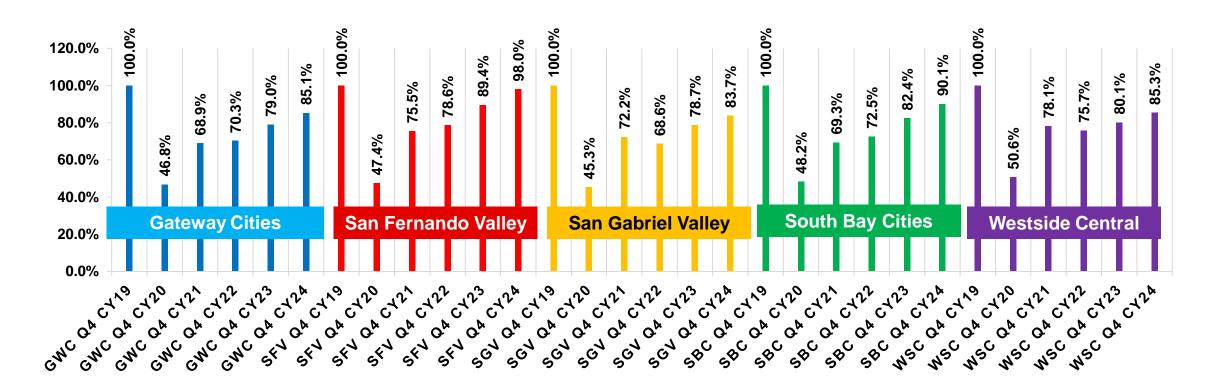
Time Period	CY2020 Q4	CY2024 Q4
Early AM	45%	80%
AM Peak	37%	76%
Midday	54%	92%
PM Peak	44%	84%
Evening	48%	86%
Late Evening	51%	97%
Overnight Owl	58%	101%

Midday ridership recovery (base) at 92% continues to exceed both AM peak and PM peak recovery from the pandemic, likely in response to NextGen Bus Plan's increased off-peak service frequencies.

- AM peak remains most subdued at 76% compared to pre-pandemic as transit use has shifted due to telecommuting and more off-peak travel to service jobs.
- PM Peak at 84% has a stronger recovery than the AM peak.
- Late evening and Owl ridership periods recovered most strongly at 97% and 101% as these periods typically serve transit-dependent shift workers.



### Average Weekday Ridership Recovery by Service Area Q4 CY2019 – Q4 CY2024





All service areas improved their recovery rates by 6.4-9.6% compared to the same quarter of 2023. The San Fernando Valley area continues to show the most weekday ridership recovery at 98.0% on weekdays. There is a similar pattern on weekends, with San Fernando Valley at 109.2% recovery Saturday and 125.7% recovery Sunday. The EFC share of average weekday ridership is now 0.7% above pre-COVID levels.

### How we continue to grow ridership

Top Rider Needs (% Extremely/Very Important)

e know we need to:	Reliable		Easy		Safe		Clean	
Make it safe	Getting to a destination <b>on</b>	87%	Accurate <b>arrival time</b>	85%	Safety on board	85%	<b>Cleanliness</b> inside the	83%
Make it clean	time		info		buses/trains		bus/train	
Make it comfortable	Buses come on time	86%	Updates/ <b>alerts</b> about delays	84%	Safety of bus stops/rail stations	84%		
Make it reliable	<b>How frequently</b> buses/trains run	84%	Accurate arrival times at stops/	82%	Stations			
Make it easy	How long it		stations					
		80%	<b>Availability of</b> accurate info to plan my trips	80%			10	

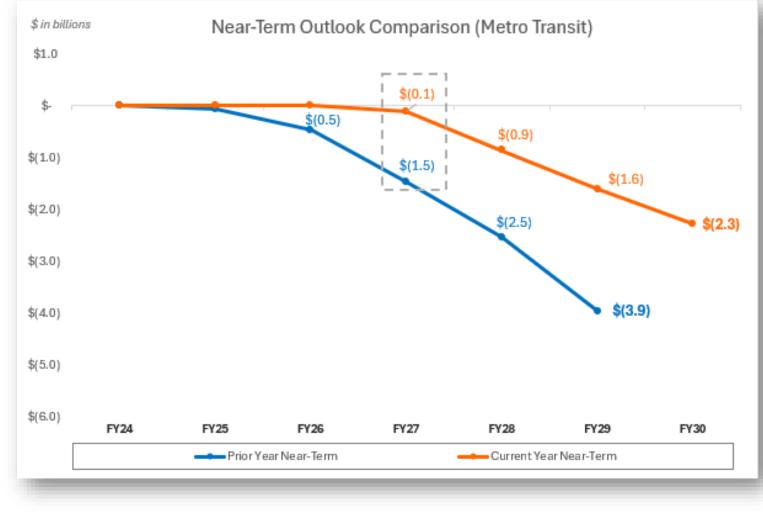
## California is Hosting the Biggest Global Sporting Events





### Near-Term Financial Outlook

- IMPROVED: The prior year's Near-Term cumulative gap of \$1.5 billion in FY27 to \$0.1 billion per current year's Near-Term as a result of:
  - Zero-Emissions Bus (ZEB) & infrastructure revised forecast and Incremental grant revenues from SB125 ZETCP
  - Equitable Zero-Based Budgeting (EZBB) process
  - Delayed spending on capital projects based on year-end actuals
  - Board approved implementation of Transit Community Public Safety Department (TCPSD)
- However, a cumulative gap (Operations and SGR) of \$900M remains by FY28 growing to \$2.3 billion by FY30



*Note:* These figures do <u>not</u> include cost assumptions for the 2028 Games.

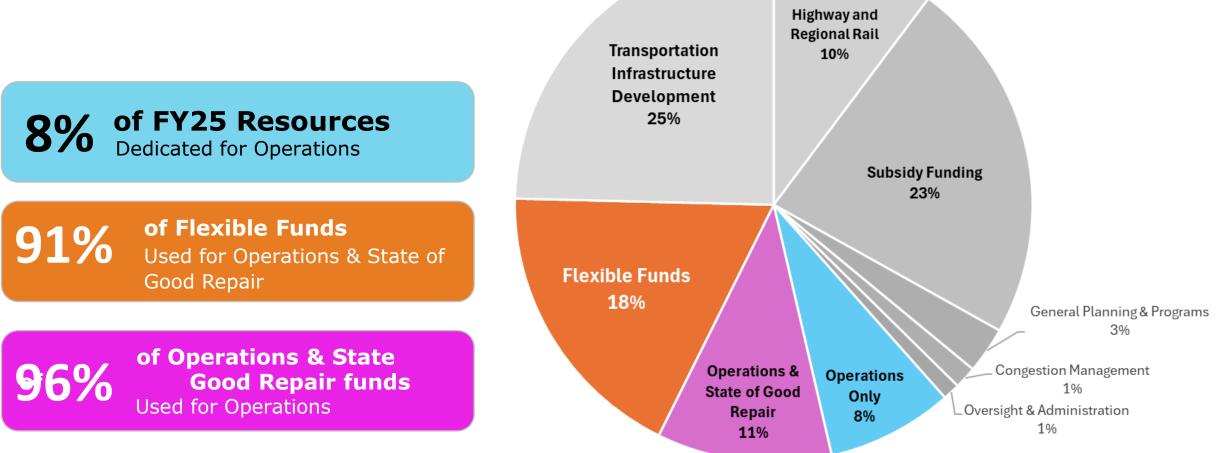
### Additional Risks and Challenges



- As Metro works to mitigate the cost growth drivers presented in the Near-Term Outlook, there are additional risks and challenges that have not been quantified in the current forecast.
- These additional risks that may impact the Agency in the Near-Term include:
  - Geopolitical uncertainty
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  - The availability and impact of traditional Federal programs and grants
  - Ongoing inflationary pressures
- Internal factors that also add financial pressure to the Agency include:
  - Operating Metro's expanding rail system in the future will be more costly than operating the same level of service today
  - Ongoing financial risks that stem from capital cost increases which may impact operations eligible funding
  - Preparation for the 2028 Olympic and Paralympic Games in absence of additional funding presents significant challenges

## Eligibility of Funds for Operations (e.g. FY25)

- > 130 colors of funds
- < 15 sources are dedicated for operations</li>



# If you were asked to choose your favorite flavor, which of the following options would you choose?

You can only choose one.

- A. Vanilla
- B. Chocolate
- C. Strawberry
- D. Neapolitan
- E. Pralines and Cream

# In 2018 the Board adopted Vision 2028 with five goals. Which of these is most important to you?

You can only choose one.

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

# **DEEP DIVE**



## DEEP DIVE

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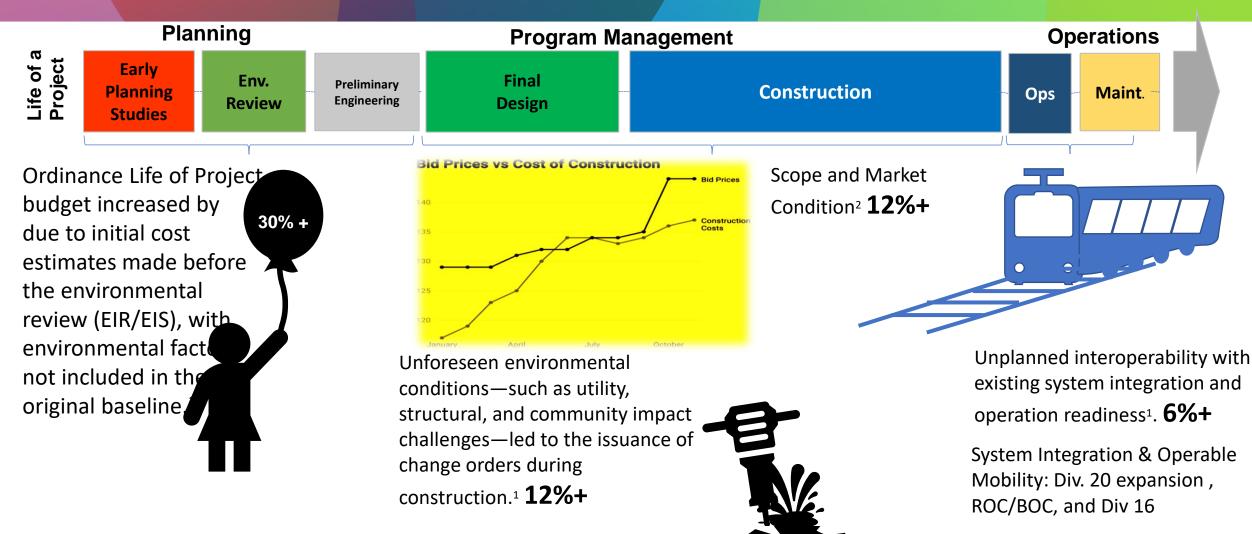
### State of the Capital Program

#### What should be our top approach when managing rising capital project costs?

#### You can only choose one:

- A. Delivering projects on schedule, even if costs increase
- B. Adjusting the scope to reduce costs
- C. Balancing cost and schedule, even if it means phasing the project
- D. Exploring alternative funding sources to cover cost overruns, even if it means delaying the delivery of the project
- E. Focusing on achieving project mobility goals versus prescribed mode of implementing project

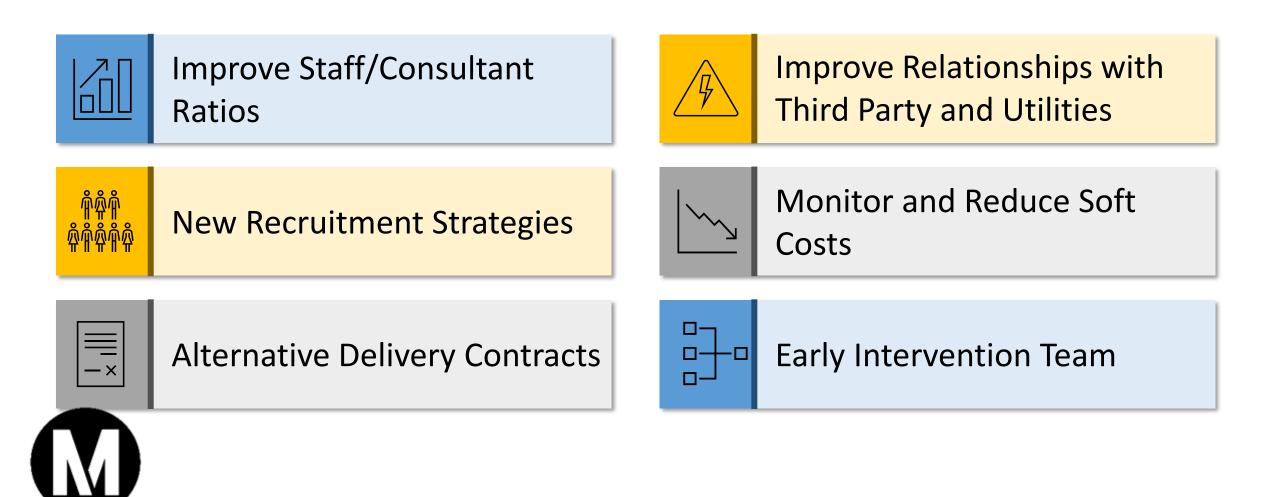
### Metro Experience with Capital Cost Drivers



1.Recent Project Experience based on Greenline AMC, Regional Connector, Crenshaw, PLE 1,2&3 2.Program Management Oral Report, "Construction Market Trend", February 2022 Increase over sales tax baseline rough estimate by **60%+** experienced so far

# 60% cost differential totaled \$6.5 billion over last 10 years

60% cost differential totaling 16-18 billion in the next 10 years



	Federal Policies/Tariffs	<ul> <li>Tariffs will increase prices and strain supply</li> <li>Contractors price the risk due to market uncertainty</li> <li>Minimal impacts from immigration policy changes</li> </ul>
R	Wildfire Recovery	<ul> <li>Short term challenges (e.g. trucking, underground cabling)</li> <li>Increased demand and prices on construction materials, particularly lumber</li> <li>Priority challenges with third parties</li> </ul>
	Workforce/Labor Demand	<ul> <li>Wages increasing</li> <li>Labor demand forecasted increase 13% in 2026</li> </ul>

B Material Costs

2024 stability in materials market will not continue

 Expecting material price increases through 2025 and 2026 potentially stabilizing in 2027

**Contractor Bidding** 

- Sustained growth in construction sector, contractor's market
- □ Risks and costs increasing, sensitivity to losses
- Trend of reduced competition and increased bid prices

Contract Terms and Conditions

- □ Contractor's sensitive to risk, choosy with pursuits
- □ Traditional delivery on megaprojects difficult to bond
- Alternative delivery arrangements with negotiated conditions, escalation clauses, and shared risk preferred

### Program Management Strategic Initiatives in FY26

- Pursue streamlined and self-permitting opportunities with third parties and utilities
- Continue to benefit from early engagement and innovation working with contracting partners through alternative delivery models
- Conclude price negotiations on ESFV, I-105 (Segments 2 and 3), and Noho to Pasadena BRT projects
- Advance steps that minimize the risk of the current market volatility
- Strategically growing the PM team to accommodate growth in the project portfolio



How should we prioritize funding for projects when costs exceed initial estimates and additional funding is not readily available?

- A. Focus on completing projects already under construction
- B. Prioritize projects with the highest potential benefit
- C. Maintain sequence of projects in Measure M Expenditure Plan
- D. Focus on smaller-scale, more easily implementable projects
- E. Focus on shovel-ready projects

## **Breakout Discussion**

When rising costs force difficult trade-offs, how would you rank the following approaches?

- Reducing project scope while maintaining key features
- Delaying projects to stabilize costs over time
- Seeking additional funding through taxes, bonds, or partnerships
- Canceling or indefinitely deferring the most expensive projects
- Requiring streamlined permitting to continue to advance projects

What other information do you want staff to provide?

Do you have any other policy or strategy ideas you would like staff to consider in this area of focus?

### DEEP DIVE

Upcoming Mega Event: FIFA World Cup 2026

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## Game-Changer:

Leveraging Angelenos' Passion for Sport to Change Perceptions of and Encourage Ridership on Metro

### **Pulse Check**

# Given that safety is foundational, how else should Metro measure the success of our upcoming Global Events?

#### Please choose only one:

- A. Ridership retention and growth
- B. Positive customer and community feedback
- C. Positive media coverage
- D. Improved brand perception

Metro has a game-changing opportunity to reshape perceptions and address misconceptions about public transportation in Los Angeles. By leveraging the upcoming major sporting events, Metro can showcase a legacy worldclass transit system that offers Angelenos and visitors an affordable, environmentally friendly service to reach the destinations they care most about.



### Fan-tastic Metro Experiences for Major Sporting Events

For many Angelenos, **Metro is already an essential part of their sports experience**, providing reliable transportation to and from games and events.





### **Established Venue Bus Shuttles**



#### Service Operation: March to October

Established in 2010, the Dodger Stadium Express service was partially funded under a grant from the Mobile Source Air Pollution Reduction Review Committee (MSRC), but the grant period is over. Metro operates service from Union Station and South Bay. Service Operation: August to January Bus shuttles servicing SoFi Stadium from Hawthorne/Lennox Station (C Line) for the NFL Season are Metro funded.

#### Service Operation: October to June Funded by Intuit Dome via a sponsorship, Metro has provided bus shuttle service from both the C and K Lines. Bus shuttles were also sponsored for the venue's grand opening month of August to support concerts.

### **Exciting New Sports Partnership**



#### Current Status: Active

BMO Stadium is a LA28 venue and LAFC is now a strategic partner who is committed to help Metro further expand our ticketing integration development through its relationship with Ticketmaster. Metro will be able capture fan data and this partnership establishes a precedence as the first sports team in Los Angeles to include the cost of public transportation into ticket prices. We are currently discussing youthfocused opportunities for our GoPass program.



### LA 2028 Olympic and Paralympic Games

#### 2028 Games by the Numbers

12-15M Tickets to be sold

800+ Ticketed Events

80+

3M+

**Unique Attendees** 

Competition & Non-competition Venues

65K Volunteers & Employees **1.2M** Peak Day Spectator Trips

80 Days of Games Operation **50K** Key Constituents (Athletes, Officials, Media, etc.)

### FY26 FED. FUNDING ASK Games Essential Legacy Projects \$1 B

Temporary Infrastructure & Operational Costs

\$2.3 B

#### **BUS FLEET & RESOURCES**

Anticipated # of GETS buses required





Anticipated GETS drivers/mechanics needed



### We're focused on the entire experience

Planning the Tri	p Paying	Waiting at Stations and Stops
<ul> <li>New website</li> <li>Improved trip planner</li> <li>Consolidated mobile app</li> <li>Improved customer information</li> <li>Expanded park and ride</li> </ul>	<ul> <li>Pay with debit/credit card</li> <li>Consolidated mobile app</li> <li>Integrated ticketing</li> </ul>	<ul> <li>Bus stop furniture and shade</li> <li>Comfortable, accessible stations</li> <li>Improved wayfinding</li> </ul>
Riding	Support	Surprise & Delight
<ul> <li>Enhanced, accessible vehicles</li> <li>Games enhanced transit service</li> <li>Improved on-board customer information</li> </ul>	<ul> <li>In person customer service</li> <li>Improved call center</li> <li>Improved digital navigation tools</li> </ul>	<ul> <li>Watch parties and fan zones</li> <li>Cultural events</li> <li>Station takeovers and activations</li> </ul>

### 2026 FIFA World Cup

# World Cup by the Numbers70K8Tickets/gameTicketed Events

450K

2 official + live sites

Unique Attendees

#### Competition & Non-competition Venues

500 Volunteers & Employees **50K** Peak Day Spectator Trips

8

Days of Games Operation

#### 20K

Key Constituents (Teams, Officials, FIFA Sponsors, FIFA Guests, Media, etc.)

### FY26 FED. FUNDING ASK



GETS Service Plan



#### Temp Oper Exper

Temporary Infrastructure & Operational Support and Customer Experience Costs \$20M

#### **BUS FLEET & RESOURCES**

Anticipated # of GETS buses required

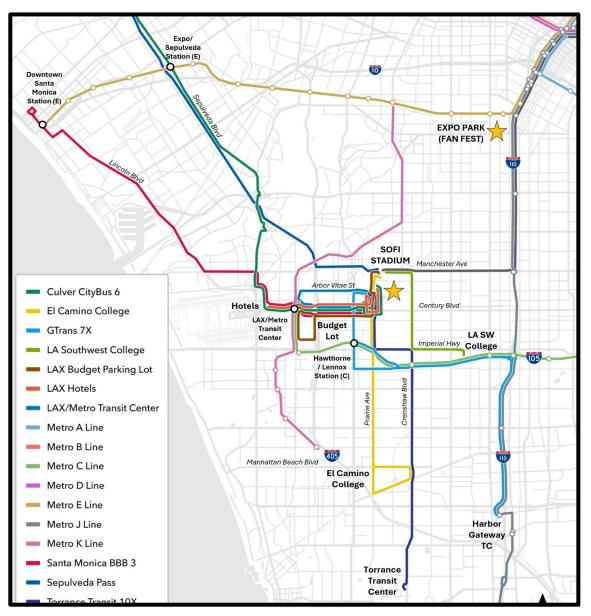




Anticipated GETS drivers/mechanics needed



#### 2026 FIFA World Cup: Games Enhanced Transit Service WC GETS Draft Service Plan



#### **Rail Connections**

- LAX/Metro Transit Center (C and K Lines).
- Downtown Union Station and 7<sup>th</sup>/Metro.

#### **Regular Park-and-Ride Lots**

- Inglewood Municipal Lots
- Harbor Gateway Transit Center
- Torrance Transit Center

#### Special Park-and-Ride (closest large-scale lots)

- LAX Budget Parking Lot and LAX Area Hotels
- LA Southwest College
- El Camino College

#### **Regional Connections**

- San Fernando Valley/Sepulveda Pass.
- E Line & J Line for official Fanfest and Fan Zone access in every supervisorial district

#### **Extensions of Existing Routes (possible examples)**

- Big Blue Bus 3 on Lincoln Blvd
- Culver CityBus 6 on Sepulveda Blvd

#### **Access Services:**

ADA paratransit service



### **Telling Our Story**

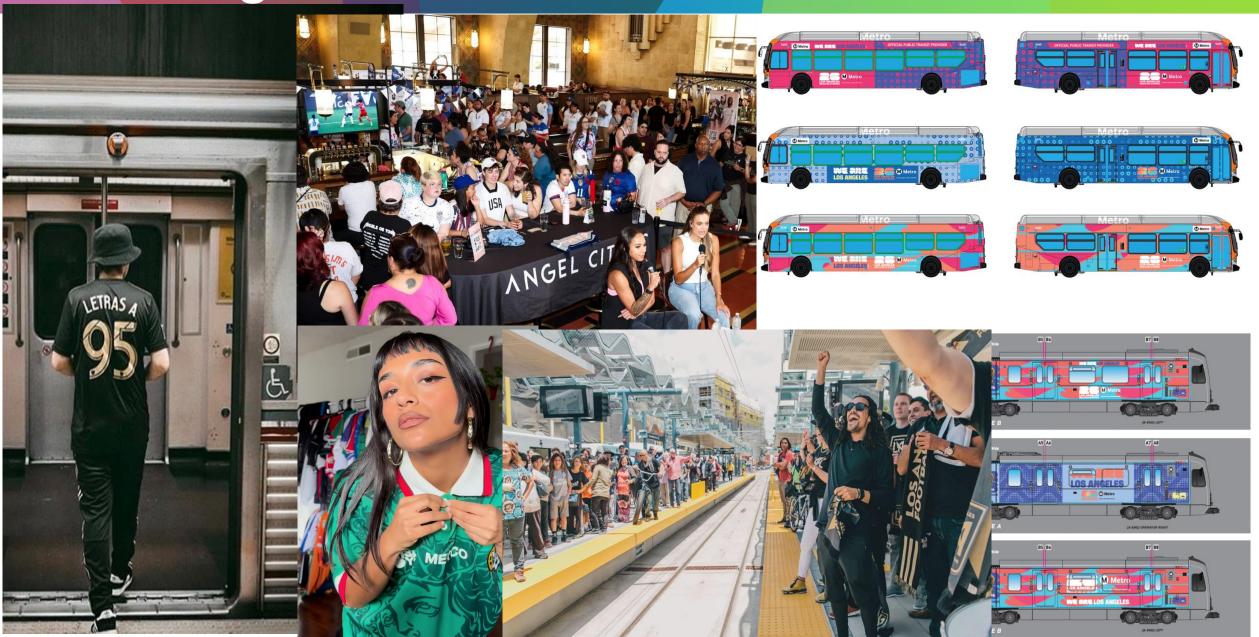






#### **OFFICIAL PUBLIC TRANSIT PROVIDER**

### **Marketing Efforts**



# What aspect of the 2026 FIFA World Cup experience are you most excited about?

- A. Fan zones
- B. Improved customer experience
- C. Marketing efforts with sponsorships
- D. Social media takeovers by athletes and youth
- E. Pop-ups with community-based organizations (CBOs)

### **Breakout Discussion**

#### How can we best involve youth in our World Cup engagement efforts?

- Leadership roles in planning and execution
- More social media takeovers and digital engagement
- Special events and activations geared toward young people
- Training or internship opportunities
- Partner with American Youth Soccer Organization (AYSO) leagues and clubs

#### Which unique Metro touch would make the biggest impact during the World Cup?

- $\circ~$  Live match broadcasts at key stations and transit hubs
- Exclusive Metro rider-only perks at fan zones
- Soccer-themed art, music, and performances on trains and buses
- o Limited-edition Metro fare cards featuring iconic World Cup moments

## Do you have any other policy or strategy ideas you would like staff to consider in this area of focus?

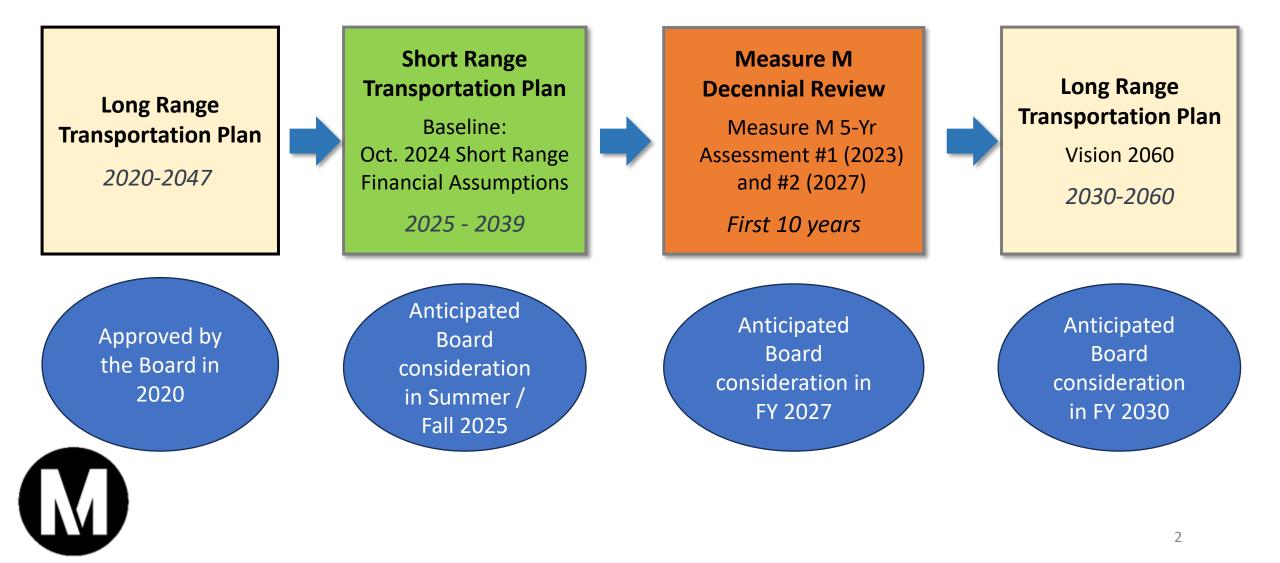
### DEEP DIVE

#### Guiding Metro through the Uncertain Future

The Short-Range Transportation Plan (SRTP)

Measure M Decennial Review

### "Vision 2060" Process

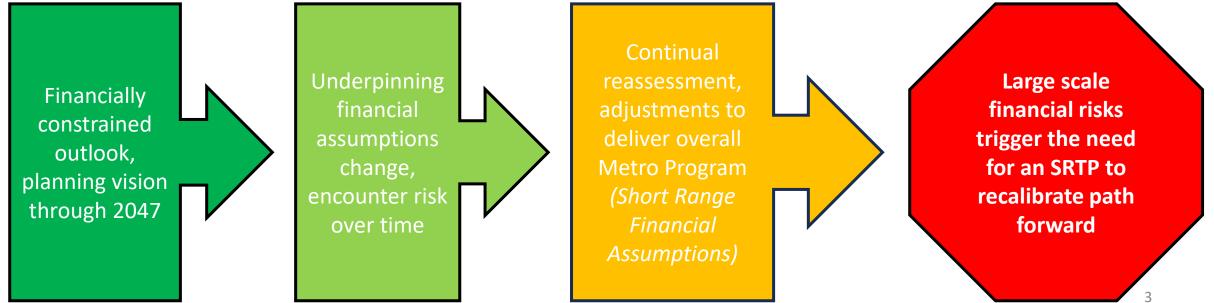


### Short-Range Transportation Plan (SRTP)

Following the passage of Measure M (2016), the Board adopted the Long-Range Transportation Plan in 2020 to:

- Incorporate funding of Measure M Expenditure Plan capital projects, operations, and other programs
- Reflect current board policies and direction
- Provide a detailed roadmap for how Metro will plan, build, operate, maintain, and partner for improved mobility through 2047
- Guide future funding plans and policies needed to move LA County forward

#### When is a Short-Range Transportation Plan (SRTP) needed?



### 2025 Short Range Transportation Plan (SRTP)

#### What is an SRTP?

Assesses progress toward delivering the 2020 LRTP and provides an overview of how far we have to go

#### How will the SRTP be used?

The SRTP will support decisions to be made by the Board during the Measure M Decennial Review process.

- Board actions since LRTP adoption
- Projects opened and programs implemented since LRTP adoption

- LRTP financial assumptions and goals/objectives on which it was based
- Most recent (Oct. 2024) Short Range Financial Assumptions and identifies changes that need to be addressed since then
- Revenue forecasts and financial risks
- Capital project costs, schedules, and trends
  - Operating costs, trends, and funding sources

- An updated, 15-year (2025-2039) outlook to implement the LRTP
- An overview of financial risks and challenges facing Metro's overall Program
- A range of funding gaps for near-term capital projects and other programs
- Strategic direction to address challenges facing the overall Metro Program, identifying opportunities to overcome risk

The SRTP provides

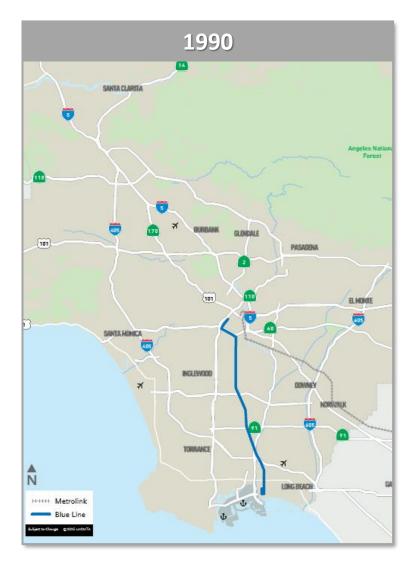
The SRTP

reflects

The SRTP

assesses

#### 1990 - 2010 Transit System: Rapid Growth Fueled by Propositions A and C

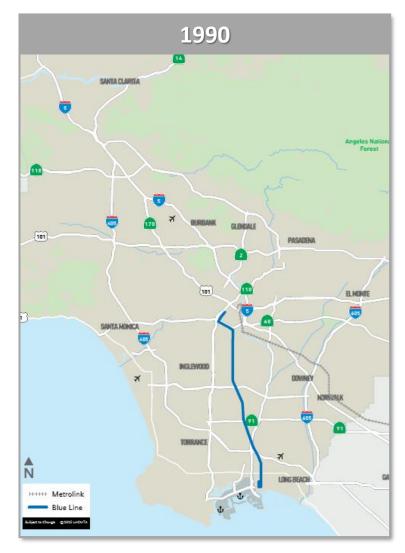


### 1990 - 2010 Transit System: Rapid Growth Fueled by Propositions A and C





### 1990 - 2010 Transit System: Rapid Growth Fueled by Propositions A and C







### **Existing Transit System**



### **Existing & Planned Transit Systems**







### Increased Mobility Improves the Economy

#### Increased job access in the past 10 years:

More than 600 K (612,085) additional jobs located **within one mile** of new rail stations

• Approximately 14% increase in total jobs accessible by rail transit.

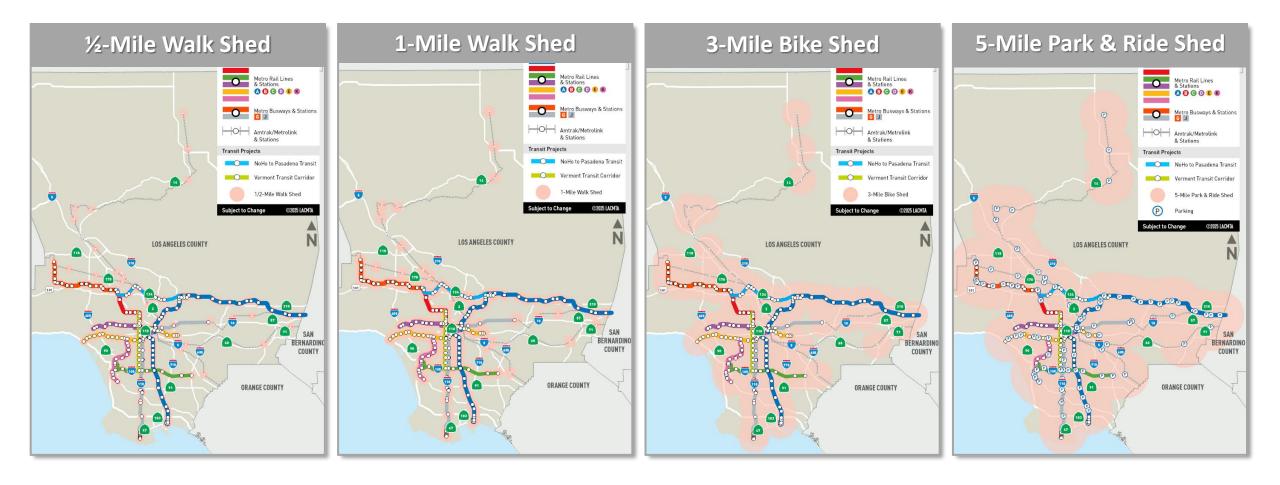
#### New future job creation:

2020 LRTP forecasts **1.84 M jobs** will be created over its 30-year horizon from transportation investments

• Gross Regional Product will increase by \$196 B



### 2028 Planned Walk/Bike/Park-and-Ride Access Sheds



### Agencywide Challenges Implementing Measures R & M

<b>Expanding System</b>	Systemwide Efficiencies
Emerging Legacy System	Coordination with 오코 Other Operators
State of Good Repair / Safety Culture	Potential Conflicts with Other Systems
<b>Resilience</b>	Constraints on Use of Debt

### Funding Risks



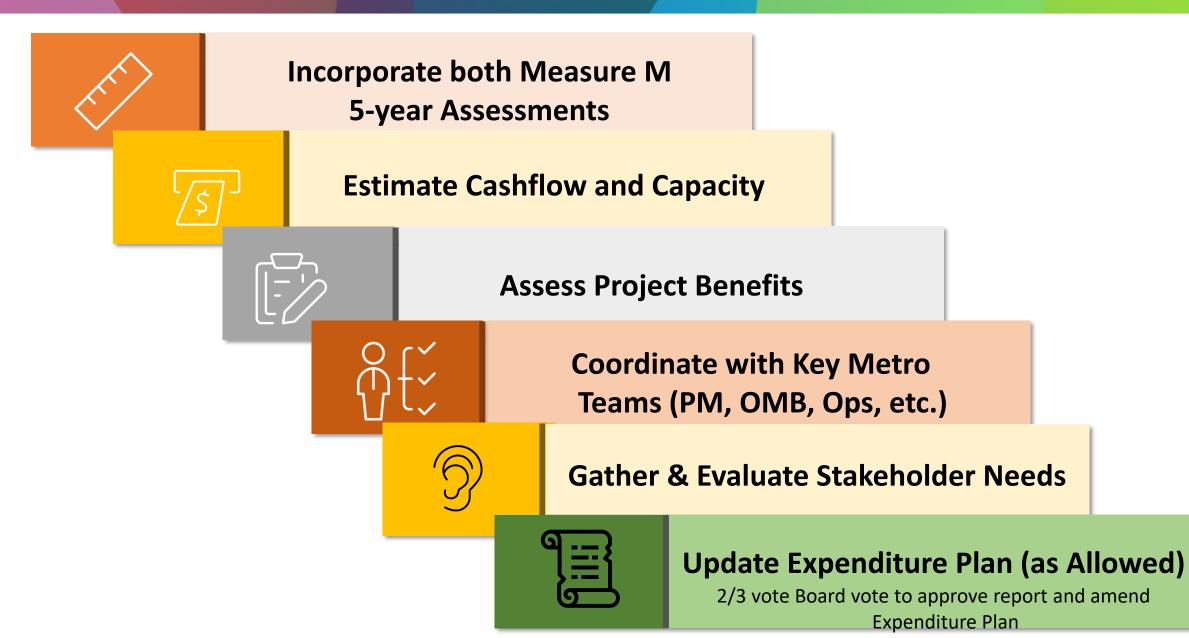
#### What is the Decennial Review?

- A strategic financial planning tool only available **once-a-decade** (FY 2027) to address funding challenges resulting from financial risk and changed conditions
- Mechanism built into Measure R and M Expenditure Plans for this specific purpose
- Could address some but not all of Metro's funding challenges over next 5 years

#### Decennial Review Process: Look-ahead

- Process initiated with Measure M 5-Year Assessment (2023)
- Informed by upcoming Board policy decisions in FY 2026
- Staff conducts a Decennial Review process and completes a report
- Staff conducts all required outreach
- Metro Board can choose to amend Measure M within certain parameters (subject to 2/3 approval)

### Purpose and Process of Decennial Review



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### Measure M Decennial Review

#### Components

#### **Decennial Review**

- ✓ Comprehensive assessment of Measure M is required by Expenditure Plan
- ✓ Report to be consolidated with the second Measure M 5-Year Assessment
  - Equity-focused
  - System performance
  - Board priorities

#### **Relationship to LRTP**

#### **Decennial Review**

- ✓ provides analysis required by Expenditure Plan to assess next decade of Measure M
- ✓ identifies needs to assist in key decisions in development of the 2030 LRTP
- ✓ Board policies and decisions made reflected in next LRTP

The Decennial Review provides an opportunity once every 10 years to address changes in financial assumptions, priorities, and technologies

### **Benefit Cost Analysis for Metro Capital Projects**

#### What is a Benefit Cost Analysis (BCA)?

- Comparison of costs and benefits of a project or program of projects
- May include quantitative or qualitative measures of benefits
- One tool of many to inform a more data-driven and transparent decision-making process

#### Why Conduct a Standardized Benefit Cost Analysis?

- Assess the viability of a project
- Compare the cost-effectiveness of multiple project alternatives
- Compare the benefits of projects against each other
- Identify contributions to regional and federal goals
- Position projects for state and federal funding opportunities
- Assess projects throughout development & implementation

# In anticipation of the Measure M Decennial Review, which performance indicator do you think is the most important to evaluate?

Please choose only one:

- A. Congestion relief
- B. Equity
- C. Air quality
- D. Economic benefit
- E. Cost Benefit analysis

### **Breakout** Discussion

Which strategy in the Decennial Review would you like to learn more about?

- A. Transferring highway money to transit projects
- B. Adding new projects necessary to support future operations
- C. Increasing the expenditure limit for Measure M projects
- D. Opportunities to identify more funding eligible for operations
- E. Developing a contingency line item for capital projects

#### What other information do you want staff to provide?

Do you have any other policy or strategy ideas you would like staff to consider in this area of focus?

# As a Metro Board Member, where do you feel your leadership can make the greatest impact over the next year?

#### Please choose only one:

- A. Championing regional collaboration to accelerate project delivery
- B. Elevating rider experience and safety on the system
- C. Advancing policies that strengthen equity and community trust
- D. Ensuring financial sustainability and responsible stewardship of public funds
- E. Preparing Metro for success during global events like the 2026 World Cup and 2028 Games

### **CLOSING REMARKS**

