



Board Report

File #: 2023-0728, File Type: Informational Report

Agenda Number: 7.

**FINANCE, BUDGET, AND AUDIT COMMITTEE  
JANUARY 17, 2024**

**SUBJECT: FISCAL YEAR 2025 BUDGET DEVELOPMENT PROCESS**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

RECEIVE AND FILE The Fiscal Year 2025 (FY25) Budget Development Process.

**ISSUE**

In preparation for the FY25 Budget development process, the Office of Management and Budget (OMB) provided the Finance, Budget, and Audit Committee an oral report on October 18, 2023, focusing on the major cost growth drivers over the next five years. In addition, the Board requested additional information on the fare box recovery ratio, which is included in the report.

This report builds on the oral report surrounding the challenges ahead and sets up the context for utilizing the Equitable Zero-Based Budget (EZBB) process. This report highlights the EZBB Attainments and Efforts Underway, highlighting service optimization and Operations' successes on cost containment as well as the capital cost mitigation work by the Early Intervention Team (EIT) and Program Management teams.

An outline of the planned EZBB process and schedule follow to address the delivery of Metro's objectives in the next fiscal year, culminating in a planned May 2024 Board Adoption. During the budget development process, a comprehensive and transparent public outreach engagement will be run to maximize public input and ensure Metro's stakeholders have an active role in the process. This report lays the framework for the annual budget development, with the primary objective of proposing a balanced FY25 Budget while achieving Metro's transit and transportation goals in a fiscally sound and financially responsible manner.

**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 authorization 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. Beginning in January 2024, staff will begin to provide a series of status updates on the FY25 Budget development process to the Metro Board's Finance, Budget, and Audit Committee.

The Near-Term Outlook projects slowing sales tax growth while the Agency's Transit Operations and Capital Improvement Program (CIP) costs anticipate significant growth. Metro faced significant financial challenges during the pandemic, but with careful cash management and one-time stimulus funding, the agency was able to balance the budget over the last three years. With the exhaustion of stimulus funding and slow growth in sales tax revenues, continuous efforts are needed to mitigate this financial risk. The higher-than-expected sales taxes in FY23 will help mitigate FY25; however, FY24 sales taxes are coming in lower than projected, indicating a slowing economy that will bring financial challenges ahead.

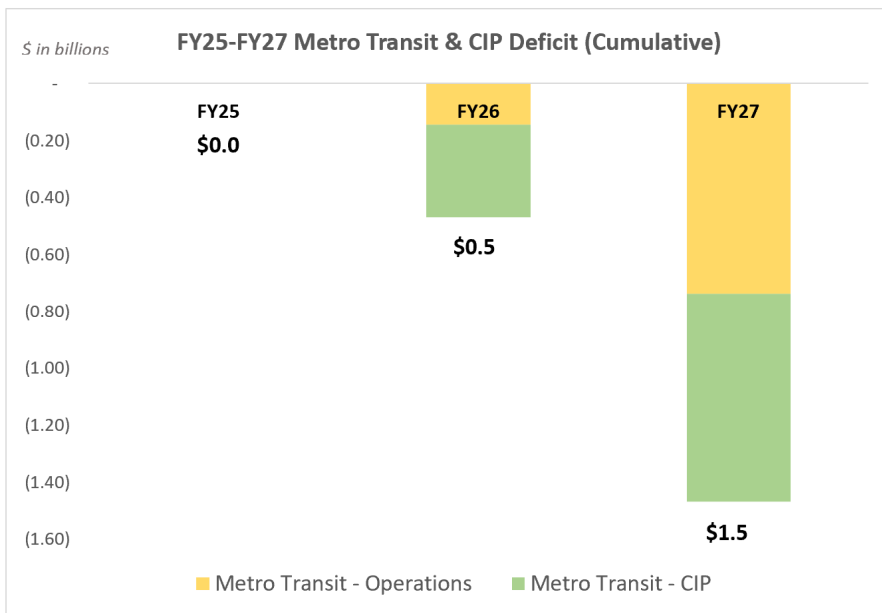
## **DISCUSSION**

### **Near-Term Outlook Update and Challenges Ahead**

Metro continues to recognize the importance of sound financial planning to successfully implement transit investments and operating plans. The EZBB cycle begins with the Near-Term Outlook, which establishes three-year assumptions based on assessing the economic environment on revenues, continuing programs in place today, evaluating the market cost escalations, meeting Board approved priorities, as well as planning for significant investments.

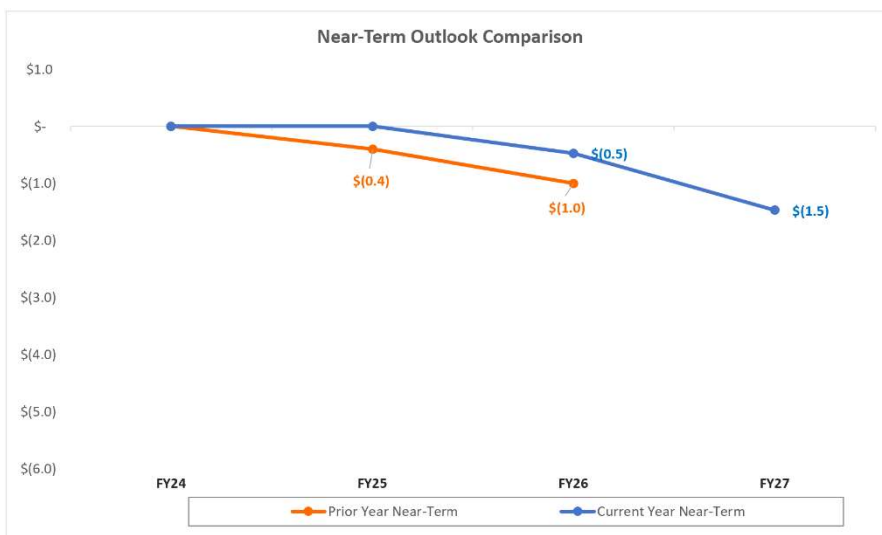
The Agency's updated Near-Term Metro Transit Operations and Capital Improvement Program (CIP) results in a financial deficit of \$1.5 billion by FY27. (Figure 1) The gap is made up of \$555 million for Metro Transit Operations due to growing transit costs driven by labor and market inflation, property, liability and insurance premiums, rail expansion and incremental costs for post-pandemic induced changes, including enhanced safety and cleanliness. The \$915 million gap in Metro Transit CIP is predominately due to the accelerated electrification efforts. In addition, Metro continues to recognize the financial risks stemming from the Transportation Infrastructure Development (TID) program faced with project cost increases due to scope and schedule changes, market bid prices and labor and supply chain constraints.

### **Figure 1**



The near-term outlook has improved from twelve months ago from \$1 billion deficit by FY26 due to: 1) higher revenues realized in FY23 than anticipated, 2) spending at a slower pace than projected primarily for deferred capital expenses, and 3) successful efforts through EZBB, instilling a culture focused on fiscal discipline and cost mitigation and revaluation of pilot programs. (Figure 2) This results in the operating deficit becoming more manageable through FY27. However, additional mitigation efforts are still needed early to avoid drastic actions later as the financial gap is anticipated to increase beyond FY27.

Figure 2



## **EZBB Attainments and Efforts Underway**

Throughout the preparation for the FY25 Budget development process, Metro's long-term sustainability continues to be a concern as resources remain scarce for the increasing needs. Although the financial challenges are manageable for the upcoming year, immediate cost control mitigations are still necessary and relevant to safeguard Metro's financial position in fulfilling its commitment to fiscal responsibility and advancement as a mobility transforming organization.

Metro looks forward to building on its current momentum by continuing to undergo a deep dive into expenses and search for optimal cost mitigation strategies through an equity lens. While trying to tighten costs, Metro has also successfully implemented many new investments toward refining our care-based programs, such as:

- Westlake/Macarthur Park interventions to improve community health and safety;
- Increased outreach for those experiencing homelessness;
- Putting in place the Transit Ambassador pilot and
- Implemented fare subsidy programs such as the Low-Income Fare is Easy (LIFE) program, Fare Capping, and Go Pass

### *Farebox Recovery Ratio*

The farebox recovery ratio measures how much in fare revenues pay for operating transit. Prior to the pandemic, this ratio was at 15.6% and had fallen to 1-3% during the pandemic with the pause in fare collection. The federal stimulus funding replaced the loss in fares. The actual FY23 ratio of 5.8% came in 1% higher than budgeted, with FY24 budgeted at 6.2%.

While Metro does not solely rely on fares to operate service, fare revenues are reinvested into the system to maintain service and improve customer experience. This ratio is continuously impacted by the rising operating costs and the inability of fares to grow at the same pace. With fare revenues not expected to reach pre-pandemic levels and the loss in federal stimulus funding, this will further strain the availability of operating eligible funding and may limit the investments to improve service. Continued EZBB efforts are necessary to address the rising operating costs that impact this ratio.

### *Service Optimization and Operations Cost Mitigation Efforts*

Operations have centered their focus on delivering a more optimal service design as well as conducting bus and rail cost analyses to identify cost saving opportunities. The task force focused not only on investigating the quantity of service but also explored solutions to provide optimal service level and quality customer experience with implementing the NextGen Bus Plan and an update to the C & K Line Operating Plan to enhance rider travel experience resulting in an estimated savings of \$10 million.

NextGen efficiencies transferred bus revenue service hours (RSH) from peak to off-peak service frequency, reducing bus operator and peak bus requirements by several hundred hours. Metro also adjusted light rail peak frequencies to better allocate service from peak to base and weekend with 8 min peak/10 min off peak headways versus the pre-COVID 6 min peak/12-15 min off peak light rail

service plan, reducing wait times for riders especially off peak. The opening of seven stations on the K line in October 2022 provides new rail service for the communities of West Adams, Jefferson Park, Baldwin Hills, Leimert Park, Hyde Park, Inglewood, Westchester, and more. Metro looks forward to connecting the K Line to Metro's C Line and the LAX Automated People Mover (APM) by the end of 2024.

The North San Fernando Valley Transit Corridor Project was reimagined with a new plan adopted by Metro's Board in December 2022. The new plan consists of an enhanced bus network to increase connectivity and provide high-quality bus service and transit infrastructure in North San Fernando Valley communities from Northridge on the west to North Hollywood on the east. This new innovative approach called the BRT Network Improvements, builds off extensive outreach and Metro Board direction, applying BRT attributes to improve the rider experience on seven existing transit lines in the San Fernando Valley. As part of this project, Metro will implement peak period dedicated bus lanes on Roscoe Boulevard and higher frequency service on Roscoe Boulevard and Nordhoff Street bus lines for shorter wait and travel times.

The project will add new bus shelters at almost 400 locations through a partner agreement with the City of Los Angeles (LA), as well as additional passenger amenities at five key transfer locations. The project will also fund 75 new quiet zero emission battery electric buses for four bus lines, including charging infrastructure. The project will also fund transit signal priority and bus bulbs for seven corridors and all door boarding on all buses in the San Fernando Valley to improve travel times and service reliability for our San Fernando Valley riders.

Metro Transit task forces have also produced a framework tool to assess the most cost-effective way of making insourcing versus outsourcing decisions for long-term financial stability. Additionally, Metro staff is working towards achieving the performance and cost efficiency goals through a new business model for Micro Transit Pilot (MTP) Project (2023-0464). Using the information from the MTP evaluation and peer agencies' comparison, Metro will pursue reducing the current per-trip cost to \$20-\$25.

Correspondingly, to ensure the continued success and sustainability of the Metro Bike Share (MBS) program, Metro updated the operational model to a Privately-Owned and Publicly Managed program to improve overall performance and support a more sustainable regional bike share program. This update will help meet Metro's equity, scalability, expansion, affordability/cost, and efficiency goals for the program.

Metro will also continue to extensively review its internal major cost growth areas. This includes examining overtime usage, Workers' compensation, and Personal Liability and Property Damage (PLPD) insurance areas. Other significant cost growth areas to be evaluated include cost inflation for parts, fuel, power, contract services, public safety, cleaning, rail expansion, and a wide range of other activities that support Metro's partners throughout the Los Angeles County region.

#### *Metro's Early Intervention Team (EIT) and Program Management Cost Mitigation Efforts*

The Metro's Early Intervention Team (EIT) efforts are underway to ensure issues are identified early and projects remain within initially established (life of project) LOP's. EIT has conducted 12 project

reviews to date focused on understanding each project's objectives, risks, and scheduling and financial ramifications. These reviews included:

- East San Fernando Valley (ESFV) Transit Corridor;
- East Side Transit Corridor Phase 2 (ESP2);
- I-105 Express Lanes;
- North Hollywood to Pasadena BRT;
- C-Line Extension to Torrance;
- Sepulveda Transit Corridor;
- Active Transportation Group projects;
- North San Fernando Valley BRT;
- West Santa Ana Branch;
- Green (C-Line) capital projects;
- New Rail Operations Center (ROC)/Bus Operations Center (BOC); and
- Vermont Corridor BRT

The EIT additionally completed process-oriented reviews focusing on alternative project delivery strategies and real estate acquisitions. The EIT completed its reassessment of financial forecasts for all Measure M capital projects in the delivery pipeline and distributed the baseline updates for incorporation in various management reports.

### **FY25 Equitable Zero-Based Budget (EZBB) Process and Schedule**

Metro continues to use Equitable Zero-Based Budgeting (EZBB) for its FY25 Budget development process, which is a year-round process. The EZBB cycle begins with the Near-Term Outlook to prepare a financial prospect for the next several years. This is followed by Capital Budgeting as Metro anticipates upcoming capital project needs through a detailed and interactive process, focusing on cost management and sustainable cash flows.

The annual budget is then developed at the beginning of the calendar year with a holistic program and cabinet reviews with the CEO, focusing on strategic priorities for the upcoming fiscal year. Metro will continue to utilize management controls and tools, starting with evaluating project milestones and performance-based activities. These strategies will maximize available resources and optimize funds for operations. In parallel, Metro creates and launches the Agency's outreach plan and conducts quarterly financial reviews throughout the year via CEO and Cabinet workshops, focusing on financial accountability.

The FY25 Budget will continue Metro's core mission to improve transit services, keep transit assets in a state of good repair, fund and plan for regional transportation programs, and construct

transit/transportation infrastructure according to voter approved sales tax ordinances, State and Federal regulations, Board approved policies and guidelines.

Metro staff will work collaboratively and partner with the Board of Directors to identify mitigation strategies and strengthen cost controls to produce a balanced budget by staying within our cost and equity parameters. Monthly program reviews will provide not only an opportunity to acquire a holistic program review and understanding of the budget but also a chance to reassess the Agency's needs.

Here is a summary of the schedule of topics to be presented over the next few months, culminating in the final Board Adoption in May.

Month	Topic
January	Budget Development Process: • Near-Term Update • EZBB Attainments and Efforts Underway • FY25 EZBB Development Process and Schedule • Public Outreach and Engagement
February	Budget Development Parameters: • Sales Tax Forecast, Resources Assumption • Cost Inflation Estimate
March	Infrastructure Planning and Construction: • Transit Infrastructure Expansion • Multimodal Highway Investments • Regional Rail • Regional Allocations and Pass-Throughs
April	• Metro Transit - Operations & Maintenance (O&M) and Capital Improvement Program (CIP) • Congestion Management • Planning and Administration
May	Public Hearing and Board Adoption: • Consolidated Agency-wide Expenses and FTEs Budget Proposal • Proposed Budget Book published on April 30, 2024 • Public Hearing on May 15, 2024 • Summary of Public Comment and Stakeholder Review • Final Board Adoption on May 23, 2024

### Public Outreach and Engagement

To advance Metro's commitment to its vision and mission, it is essential to foster inclusive and open engagement with customers, stakeholders, and the public. This involves refining the budget outreach process to ensure it remains dynamic and effective. This year, Metro is emphasizing marketing strategies to reach Equity Focused Communities (EFC) by including the distribution of physical information cards throughout Los Angeles County, striving for increased participation from historically underrepresented groups and riders. Additionally, OMB is working with the Women & Girls Governing Council (WGCC), Metro Youth Council (MYC), LIFE Program, On the Move Riders Program, Metro Station staff, and other Metro groups to increase participation this year. We have already initiated several engagement activities, and a comprehensive update on our public outreach and engagement strategies will be presented in our monthly budget updates.

### Telephone Town Hall Initiatives

Metro is continuing outreach through the Telephone Town Hall (TTH) meetings. These meetings began early this year with the first session in October 2023 and are designed to facilitate direct

communication with the public. The next TTH is scheduled for March 2024.

### *"My Metro Budget" Interactive Tool*

The "My Metro Budget" tool is a novel interactive platform designed for public education and feedback. Available at <http://mybudget.metro.net/>, this tool aims to educate the public about the complexities of Metro's budget and to gather valuable input from our riders. The insights gained will be instrumental in shaping the FY25 Budget.

## **EQUITY PLATFORM**

In FY25, staff continue to conduct exercises to assess equity in Metro's budget for each fiscal year.

For the fifth fiscal year, staff will apply the Metro Budget Equity Assessment Tool (MBEAT) to capital projects and operating expenses in Metro's budget, assessing equity impacts from Metro's large-scale projects as well as department-level budgets. Staff will also analyze FY25 Budgets against budget equity principles aligned with Metro's Equity Platform framework. Once completed, staff will compile a summary of MBEAT results to support ongoing FY25 Budget decisions.

Staff will also conduct the Equity Focus Communities (EFC) Budget Assessment for the FY25 Proposed Budget. In response to the Board's direction, staff will also conduct the EFC Budget Assessment for FY23 Actuals to the EFC Budget Assessment with real expenditures. This exercise will be completed in Spring before the FY25 Proposed Budget Hearing. This practice will also continue for all FY Actuals, once available, and staff will conduct the FY24 Actuals EFC Budget Assessment in Summer 2024, updating the FY24 Proposed EFC Budget Assessment completed last fiscal year.

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommendation supports the following Metro Strategic Plan Goal:

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

## **NEXT STEPS**

Metro staff will provide regular Budget briefings to Board members and their staff starting this month. We will also provide receive-and-file reports monthly, as previously detailed.

Prepared by:

Irene Fine, Sr. Executive Officer Finance, (213) 922-4420  
Michelle Navarro, Sr. Executive Officer Finance, (213) 922-3056  
Melissa Wang, Deputy Chief Financial Officer, (213) 922-6024

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





Stephanie N. Wiggins  
Chief Executive Officer



**Board Report**

**File #:** 2024-0023, **File Type:** Informational Report

**Agenda Number:** 8.

**FINANCE, BUDGET, AND AUDIT COMMITTEE  
FEBRUARY 14, 2024**

**SUBJECT: FISCAL YEAR 2025 BUDGET DEVELOPMENT STATUS UPDATE**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

RECEIVE AND FILE the Fiscal Year 2025 (FY25) Budget Development Status Update.

**ISSUE**

This continues the monthly updates to the Board on the FY25 Budget development process. This report sets up the economic context for the upcoming fiscal year with the forecast of sales tax revenues and other resources, cost inflation, and other financial risks. A comprehensive and transparent public outreach program runs concurrently during the budget development process to maximize public input and ensure that Metro’s stakeholders have an active role.

Metro will focus on aligning to a common set of strategic imperatives and priorities, working collaboratively across their respective departments to maximize funding availability by program.

**BACKGROUND**

Revenues set the framework for what we are working with for FY25. Metro’s primary revenue source is sales tax, and current economic conditions are signaling slowing sales tax growth in the upcoming fiscal year. Federal stimulus funding from the last few years has helped Metro’s resources by stimulating consumer spending and providing essential funding for transit operations. However, those funds have now been exhausted.

The first step of the FY25 Equitable Zero-Based Budget (EZBB) process is to establish the assumptions surrounding sales tax, operating and other revenues, grant reimbursement, bond proceeds, as well as prior year carryover. These assumptions help gauge the FY25 funds available for eligible projects and programs.

**DISCUSSION**

Metro is committed to maximizing the use of revenues for all programs, based on each of the ordinances that govern the eligibility and use of funds. However, the most critical step is to develop accurate projections of sales tax revenues.

## Sales Tax Revenues

Sales taxes are the primary source of revenues for Metro representing close to two-thirds of the total annual resources. Metro's local sales tax ordinances (Proposition A, Proposition C, Measure R, and Measure M) have voter approved directives on how each sub-fund should be spent, which determines the funding available for programs. Metro utilizes multiple modeling approaches and sources to estimate sales tax revenues.

### Economic Sector Model

During the pandemic, Metro staff developed an economic sector model to isolate and evaluate the local sales tax impacts of changes in specific sectors of the economy. A list of the sector breakdowns is given in Attachment A. Post-pandemic, this model has continued to prove valuable in refining the agency's annual budget projections. The FY25 sales tax revenue projection assumptions considered the following external factors:

- The region's economic growth slowed significantly over the past year and faces growing headwinds from continued high interest rates, office vacancies, housing costs and a slowdown in logistics.
- Consumer spending has slowed as a result, with year-over-year sales tax revenues flat since January 2023.
- Online sales continue to eat away at brick-and-mortar retail.
- Spending on services and housing continues to grow faster than taxable retail sales.
- Increases in consumer debt and delinquencies will be a drag on growth in the near term.
- Gasoline and other fuel prices have a larger impact on taxable sales than the transition to EVs. They have been trending down on a year-over-year basis but are notoriously volatile and influenced by a wide variety of factors.
- FY25 cost inflation, as measured by the Consumer Price Index (CPI), is expected to slow down but remains above the Fed's 2% target as mitigating efforts of the Federal Reserve continue.

### Multiple Regression Model

Metro staff also developed a statistical multiple regression analysis model to validate the business sector model results. This regression model determines the correlations between sales tax revenues and other independent variables such as unemployment rate, CPI, and personal income in Los Angeles County, and derives a formula using historical data to make future projections.

### Trend Analysis

Trend analysis is also used to develop projections, which evaluates long and short-term historical receipts. These trends are compared to professional forecasting agencies (UCLA Anderson, Muni Services and Beacon Economics) to ensure projections are within range. Historical trend analysis

indicates that the average ten-year nominal sales tax growth of 5.1% was primarily due to inflation, while the average real growth was 2.1%. See Attachment A.

Forecasting Results

These models and trend analysis indicate a slow or flat growth in sales tax in the upcoming fiscal year, projected at 2.0%.

FY24 Sales Tax Update

Metro monitors actual monthly sales tax receipts from the California Department of Tax and Fee Administration (CDTFA) and the first quarter actual receipts for FY24 are below budget. The FY24 year-end receipts are projected to be \$1,133.0 million per ordinance, rather than \$1,200.0 million, 5.6% below budget.

Preliminary FY25 Sales Tax Assumption

Sales tax is projected to be \$1,156.0 million per ordinance, an increase of 2.0% over the FY24 reforecast of \$1,122.0 million. This conservative increase is based on the forecast modeling that indicated a slow and flattened growth in the next year. Figure 1 displays Metro’s historical sales tax revenue actuals and latest projections for FY24 and FY25.

Figure 1:

	<b>FY22 Actual</b>	<b>FY23 Actual</b>	<b>FY24 Rerecast</b>	<b>FY25 Preliminary</b>
1 <b>(\$ in Millions)</b> Sales Tax Revenue per Ordinance <sup>(1)</sup>	\$ 1,091.5	\$ 1,111.5	\$ 1,133.0	\$ 1,156.0
2 % Change	19.7%	1.8%	1.9%	2.0%

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

Figure 2 compares Metro’s historical and current budget estimates to actual receipts and leading regional forecasts. FY25 sales tax revenue projections from UCLA, Beacon Economics and Muni Services are between \$1,011.0 million to \$1,203.3 million per ordinance, and Metro’s preliminary assumption of \$1,156.0 million falls within range.

Figure 2:

Sales Tax Revenue per Ordinance Forecast Comparison

(\$ in Millions)

Forecast Source	FY19	FY20	FY21	FY22	FY23	FY24 Reforecast	FY25 Preliminary
Actual	\$ 846.8	\$ 824.7	\$ 911.7	\$ 1,091.5	\$ 1,111.5	\$ 1,133.0 <sup>(1)</sup>	
Metro- Adopted	844.0	873.0	778.1	865.0	1,031.8	1,200.0	1,156.0 <sup>(2)</sup>
UCLA	863.6	838.1	770.2	794.4	1,058.1	1,103.8	1,144.4
Beacon Economics	835.4	843.5	892.3	896.7	1,013.4	1,091.7 - 1,232.4	1,011.0 - 1,082.2
Muni Services	827.7	868.1	737.3	881.7	1,017.1	1,145.1	1,099.7 - 1,203.3

<sup>(1)</sup> FY24 sales tax revenues per ordinance Reforecast as shown in Figure 2.

<sup>(2)</sup> FY25 preliminary assumption.

**Other Resources**

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 FY25 preliminary assumption of \$236.9 million will be revised at the end of February 2024 to reflect the State Controller’s Office (SCO) FY25 allocations.

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 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.

Passenger Fares

Anticipated increased usage of public transit by Angelenos can be attributed to improved and expanded service, enhanced connectivity, improved safety, cleanliness, availability and reliability of bus and rail service. The addition of the Airport Metro Connector station through the K Line (Crenshaw/LAX) is anticipated to positively impact ridership and connectivity within the rail system.

Currently, boardings are increasing, but fares may not increase commensurate to the number of boardings because of the following factors:

- Fare capping - Limits the amount a rider pays each day and each week, resulting in free rides after the cap is reached.
- Fare policy - The newly adopted fare policy lowered fares for riders.
- GoPass - A K-14 pilot program that offers unlimited free rides to students.
- Low Income Fare is Easy (LIFE) Program - Expanded program for low-income riders that offers free 20 trips each month and free 90-day passes for new enrollees.
- Other economic conditions (employment, disposal income, telecommuting policies) may

impact overall ridership.

FY24 year-to-date revenues are meeting budget projections and year-end boardings are projected to exceed budget by over 14%. Given the implementation of fare capping in July 2023 and the various programs in place, the preliminary fare revenue projections will be based on the six months of data we have collected to date. Fare per boarding and projected ridership will be used to estimate fare revenues.

The fare revenue projection is still under development as staff works to finalize the analysis based on further evaluation of ridership growth, fare capping impacts, and Metro Micro changes. Assuming a 5% increase in ridership over estimated year-end actuals, preliminary projections of passenger fares for FY25 are estimated at \$172.5 million.

### Advertising

The overall FY25 advertising revenue from bus and rail is expected at \$27.2 million which is based on the adjusted minimum annual guarantee (MAG) payments from the new advertising contract modifications approved by the board in March 2023. Metro staff successfully renegotiated permanent and final contract terms to ensure the viability of the advertising program and preserve long-term revenue sources. The new and approved contract terms focus on right-sizing revenue estimates based on lingering negative impact of COVID-19 including loss of advertisers, vandalism to digital and static advertising equipment, and digital screen procurement delays. When revenues exceed the MAG estimates, an annual true-up revenue share is activated resulting in additional end of the year revenues to Metro.

The estimate for corporate sponsorship revenue is unknown at this time and will be updated when information becomes available. Metro staff continue to explore opportunities to increase advertising revenues including policy changes to expand and expedite revenue business, consider longer sponsorship terms, and monetize new assets and services as they reach revenue operations.

### Toll and Other

Toll revenues are projected to be \$81.7 million in FY25 which include ExpressLanes usage and violation fees from the existing I-10, I-110. 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 for calendar year 2024, Low Carbon Fuel Standard (LCFS) credit sales, investment income, and other miscellaneous revenues are anticipated at a total of \$85.8 million in FY25.

### Grant Resources

The FY25 projection for grant revenues is still being developed and will be finalized at a later point in the budget development process. Local, state and federal grant resources are used to support Metro's transit planning, operating, State of Good Repair and construction activities. Federal grants include Federal Transit Administration (FTA) formula grants, Capital Investment grants for new construction and a variety of discretionary grant programs.

State grants include the Transportation Development Act (TDA), State Transit Assistance (STA),

---

State of Good Repair and other discretionary grants funded through Senate Bill 1 (SB1). Senate Bill 125 (SB125) amended the 2023 Budget Act to provide new funding through the Transit and Intercity Rail (TIRCP) program and a new Zero-emission Bus (ZEB) program.

Looking ahead the grant funding environment is likely to get tighter and more competitive in FY25 and beyond. Growing deficits at the federal level and election-year politics will increase the uncertainty of future federal funding. The state's sudden reversal of economic fortunes casts a shadow over future funding levels of many state grant programs.

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 service 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 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 FY24, \$764.2 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 and carryover amounts for FY25 will be determined at a later stage as we finalize the FY25 expense budget and are subject to CEO approval.

#### **Resource Assumption Summary**

Refer to Figure 3 below, sales tax and TDA revenues are projected to increase conservatively at 2.0%. Line 6 represents a total increase of 2.9% in overall resources excluding grant resources, bond proceeds and prior year carryover.

Figure 3:

Resources (\$ in Millions)	FY24	FY25	% Change
	Reforecast	Assumption	
1 Sales Tax and TDA Revenues <sup>(1)</sup>	\$ 5,098.5	\$ 5,202.0	2.0%
2 STA and SB1 Revenues <sup>(2)</sup>	214.6	236.9	10.4%
3 Passenger Fares <sup>(3)</sup>	146.8	172.5	17.5%
4 Advertising <sup>(4)</sup>	27.7	27.2	-1.6%
5 Toll and Other <sup>(5)</sup>	156.3	167.5	7.1%
6 <b>Subtotal Resources</b>	<b>\$ 5,643.9</b>	<b>\$ 5,806.1</b>	<b>2.9%</b>
7 Grant Resources <sup>(6)</sup>	2,338.9	TBD	
8 Bond Proceeds and Prior Year Carryover <sup>(6)</sup>	764.2	TBD	
9 <b>Total Resources</b>	<b>\$ 8,747.1</b>	<b>TBD</b>	

Note: Totals may not add due to roundings.

<sup>(1)</sup> Sales Tax (Proposition A, C, Measure R and M) and TDA Revenues reflect current year revenues only. The Percentage Change of 2.0% compares the FY25 Assumption of \$1.15 billion per ordinance to the FY24 Reforecast of \$1.13 billion per ordinance. Any (estimated) prior year carryover amounts are reflected on line 8 and will continue to be revised throughout

<sup>(2)</sup> Preliminary STA and SB1 FY25 projections are based on State Controller's Office (SCO) January estimates for FY24 allocations and will be revised around mid-February 2024 to reflect the SCO FY25 estimates.

<sup>(3)</sup> Fare revenue is projected at \$172.5 million, a 17.5% increase over the FY24 Budget. This includes a preliminary estimate for TAP card fee revenues of \$2.5 million.

<sup>(4)</sup> Bus and Rail Advertising revenue is projected at \$27.2 million. The adjusted minimum annual guarantee (MAG) is based on contract modifications from COVID negative impact on system ad sales which was approved by Metro board in March 2023 (#2023-0074).

<sup>(5)</sup> Toll and Other FY25 revenue estimates are projected at \$167.5 million, a 7.1% increase from the FY24 Reforecast of \$156.3 million primarily due to increased ExpressLanes toll revenues, which offsets the decrease in federal CNG tax credits for calendar year 2024.

<sup>(6)</sup> The estimates for FY25 Grants, Bond Proceeds and Prior Year Carryover will be updated when information becomes available.

## Consumer Inflation and Other Financial Risks

### Cost Inflation Indicator - Consumer Price Index (CPI)

On the expense side, Metro program cost and cash flow requirements are impacted by cost inflation, labor contracts agreements and program guidelines. The most common indicator of cost inflation is the CPI as published by the Bureau of Labor Statistics. Accurate sales tax revenues and CPI projections are important to provide a sound revenue and expenditure budget plan.

Historical trends, recent years' high inflation, and leading regional forecasts are taken into consideration when estimating cost inflation. In its December 2023 policy meeting, the Federal Reserve indicated that inflation is still elevated but has been cooling faster than initially anticipated and is expected to reduce further in 2024 and 2025. FY25 CPI growth is therefore expected to slow and settle in between UCLA and Beacon Economics' projections at 3.0% in FY25 (Figure 4). Metro



staff 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	FY19	FY20	FY21	FY22	FY23	FY24 Reforecast	FY25 Preliminary
1 Actual	3.40%	2.48%	1.98%	6.54%	5.43%	2.15% <sup>(1)</sup>	
2 Metro	2.25%	2.28%	2.30%	2.00%	3.30%	3.71%	3.00% <sup>(2)</sup>
3 UCLA	2.42%	2.60%	2.19%	1.68%	3.78%	3.71%	3.82%
4 Beacon Economics	2.15%	1.83%	2.30%	2.07%	3.86%	2.36%	2.32%

<sup>(1)</sup> Reforecasted figure based on FY24 YTD actual. FY24 Adopted Budget is 3.71%.

<sup>(2)</sup> FY25 preliminary assumption.

**Other Financial Risks**

One fiscal challenge that Metro faces is slowing growth in sales tax revenues. Los Angeles County is trailing other Southern California counties such as Riverside and Orange Counties in terms of sales tax growth. Out-migration leads to countywide population decline and Los Angeles County could lose up to 74,000 residents in 2024 and 2025 combined according to recent data from the State of California Department of Finance. High inflation also erodes consumers’ purchasing power while high housing costs reduce their disposable income.

Discontinuation of the federal stimulus funds and uncertainty over grant funding are other concerns that Metro faces. Grant availability is dependent on the financial status of the government entities. The federal budget deficit totaled \$510 billion in the first quarter of fiscal year 2024 and could end with an annual deficit of just more than \$2 trillion if the current trend continues. The state government also anticipates a deficit of \$38 billion in the year to come.

These challenges, combined with higher interest rates and higher borrowing costs for Metro’s capital projects, have specific financial implications to the available funding for FY25.

**Outreach & Engagement Activities Update**

Metro is committed to engaging customers and stakeholders in a meaningful and inclusive way. Recognizing that the budget development process is a critical opportunity for engagement, Metro aims to involve all stakeholders in the planning and decision-making process.

**Equity Focus Communities Outreach**

Equity Focus Communities (EFC) continue to be prioritized across all the budget outreach efforts Metro hosts. The goal is to create an open and transparent dialogue with customers and stakeholders (of all demographics), and Metro will continue to work closely to ensure the FY25 Budget reflects the priorities and needs of Los Angeles County.

### Outreach Platforms

The development process for the FY25 Budget will persist in its promotion through various channels, encompassing the “My Metro Budget” activity, Telephone Town Hall, budget portal, e-blasts, social media campaigns, EFC oriented marketing, the distribution of business and post cards with quick response (QR) codes at stations by Metro station staff, Metro groups, and students, all aimed at informing every resident of Los Angeles County about Metro’s budget.

### Public Comments

The comments are being systematically collected from these methods while being maintained in a database. Furthermore, they are analyzed by the Office of Management & Budget (OMB) and distributed to the appropriate department for their further analysis via an interactive and filterable dashboard. The findings of the departments are then reported back to OMB and the insights gained are used to impact the FY25 budget.

Included in Attachment B are the multiple communication mechanisms Metro is utilizing to expand its reach.

### **DETERMINATION OF SAFETY IMPACT**

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

### **EQUITY PLATFORM**

Metro is committed to budgeting for equity as it strengthens its commitment to advancing equity through the distribution and implementation of equitable services and investments. OMB uses the Metro Budget Equity Assessment Tool (MBEAT) and EFC Budget Assessment as combined assessments for the annual budgeting process. The evaluation of the budget provides flexibility to focus resources on Metro’s core missions, key initiatives, and priorities. MBEAT will also assess equity impacts that will identify access to opportunities and reduce potential barriers or harms. Applying an equity lens to Metro’s FY25 Budget for programs, projects and initiatives means to integrate explicit consideration of racial and economic equity into the budget. Furthermore, it incorporates two of the four pillars of the equity principles, specifically “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**

With the slow growth in sales tax revenues, the uncertainty of the availability of grant funding and risks associated with other resources, total funds available for FY25 are projected to increase nominally. The major cost drivers are outpacing the growth in revenues and Metro will focus on cost mitigation efforts through the EZBB process as program budgets are developed. These efforts will include:

- Evaluating the external environment and economic factors (controllable and non-controllable).
- Breaking down cost drivers by urgency, root cause and creating tailored made cost mitigation plans.
- Instilling a priority driven zero based review based on milestone achievements and program/project performance.
- Maximizing funding for Transit Operations and Capital Programs.

Next month's FY25 Budget process update will address Transit Infrastructure, Multimodal Highway Investments, Regional Rail, as well as Regional Allocations and Pass-Throughs.

### **ATTACHMENTS**

Attachment A - Economic Sector Model & Sales Tax Growth Trend Analysis

Attachment B - FY25 Proposed Budget - Public Engagement and Outreach Forums

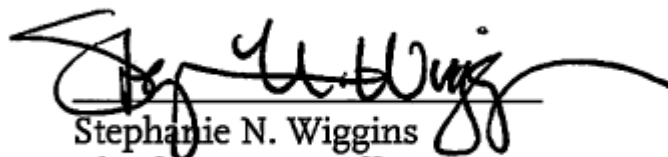
Prepared by: Jessica Lai, Senior Director Finance, (213) 922-3644

Linda Wang, Senior Director Finance, (213) 922-2464

Timothy Mengle, Executive Officer Finance, (213) 922-7665

Michelle Navarro, Sr. Executive Officer Finance, (213) 922-3056

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



Stephanie N. Wiggins  
Chief Executive Officer



Board Report

File #: 2024-0080, File Type: Budget

Agenda Number: 12.

**FINANCE, BUDGET, AND AUDIT COMMITTEE  
MARCH 20, 2024**

**SUBJECT: FISCAL YEAR 2025 BUDGET DEVELOPMENT STATUS UPDATE**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

RECEIVE AND FILE the Fiscal Year 2025 (FY25) Budget Development Status Update.

**ISSUE**

This report continues the monthly updates to the Board on the FY25 Budget development process, culminating in a planned May 2024 Board Adoption. This report focuses on Metro’s diverse portfolio of major infrastructure projects included in Transit Infrastructure Development (TID), Highway Multimodal Development, and Regional Rail Programs. Additionally, this report provides an overview of Metro’s Regional Allocation and Pass Throughs (Subsidy) funding programs.

This report also provides an update on Metro’s comprehensive budget outreach efforts.

**BACKGROUND**

The annual budget request reflects the twelve-month financial increments required for advancing through each project’s development phase. It serves to monitor the cash flow requirements for activities in each project phase and considers factors such as the existing level of board authorization, the respective project delivery schedule, and the identification of eligible and available funding sources. These funding sources may include Federal, State, and Local grants, sales taxes, and various financing mechanisms.

Most of the projects within the major capital programs adopt a multiyear Life of Project (LOP) budget, which seeks Board approval independently from the annual budget process. The purpose of the LOP budget is to outline the financial resources necessary for the entire duration of the project.

**DISCUSSION**

**Major Capital Investment**

LA County’s capital expansion plan is one of the nation’s most ambitious and transformative transportation construction and enhancements program. The report below covers the following programs:

Transit Infrastructure Development (TID): The FY25 Budget provides funding for planning and constructing new transit projects for LA County per the voter approved Measure R and Measure M sales tax ordinances.

Highway Multimodal Development: The FY25 Budget provides funding from voter approved Measure R and Measure M sales tax ordinances to advance design and construction activities for Multimodal Highway projects in LA County, along with HOV and ExpressLanes and Bus Only Lane projects.

Regional Rail: The FY25 Budget supports commuter rail projects such as Metro-led commuter rail projects and ongoing subsidy support for Metrolink’s operating and State of Good Repair (SGR)/capital components.

The major capital projects typically make up one third of the annual budget. The FY25 Preliminary Budget represents the annual incremental cashflow requirement to advance these capital projects based on the phase of each project.

Transit Infrastructure Development

The Transit Infrastructure Development (TID) Program consists of expansion and enhancements of transit lines outlined in the Measure R (MR) and Measure M (MM) Ordinances, as well as those capital projects critical to operating these expansion lines once in service. These initiatives involve various project development stages, which are divided into planning, construction, and operational phases.

Typically, the planning phase commences with a feasibility study followed by alternative analyses, ultimately leading to environmental clearance and selection of Locally Preferred Alternative by the Board. Subsequently, the project moves into the construction phase before being handed over to Operations upon completion.

Fig 1:

**Transit Infrastructure Development**

Summary	FY24 Budget	FY25 Preliminary	\$ Change	% Change
1 Transit Construction	\$ 2,240.3	\$ 1,560.3	\$ (680.1)	-30.4%
2 Transit Planning	213.5	439.0	225.5	105.6%
3 Program Support/Admin	19.7	22.5	2.8	14.3%
4 <b>Grand Total</b>	<b>\$ 2,473.5</b>	<b>\$ 2,021.7</b>	<b>\$ (451.8)</b>	<b>-18.3%</b>

For FY25, the preliminary budget for the TID program stands slightly over \$2.0 billion, reflecting a decrease of \$451.8 million or 18.3% compared to the FY24 budget as shown in Figure 1. The decline in the Transit Construction budget can be attributed to the nearing completion of several projects leading to a reduction in cash flow requirements along with the recent openings of the K Line and Regional Connector. In addition, newer projects have not yet progressed into the major construction phase, which is the phase with the highest cost. The FY25 preliminary numbers are still under development and may be updated based on Board actions between now and the FY25 budget

adoption.

The FY25 budget request is geared towards supporting the ongoing construction of key projects such as the Purple Line Extension, Foothill Extension Phase 2B, and Airport Metro Connector, all of which have started to prepare for systems integration. East San Fernando Valley LRT will continue with right-of-way acquisitions and may begin its heavy construction phase in FY25.

On the other hand, there is an increase of \$225.5 million, representing a 105.6% increase, in funding allocated to planning and studies. This reflects increased funding for projects in the environmental and design phase, including the Sepulveda Corridor, Southeast Gateway Line, and the C Line Extension to Torrance project. As these projects progress into the construction phase, there will be a corresponding rise in cash flow requirements.

A more detailed project discussion can be found in Attachment A.

### Highway Multimodal Development

The FY25 preliminary Budget of \$602.9 million represents a \$0.7 million or 0.1% increase over the FY24 Budget as shown in Figure 2. The FY25 preliminary budget reflects Metro's ongoing investments in HOV and ExpressLane construction, the expansion of bus-only lanes, subregional street improvements, as well as safety enhancements to freeways, interchanges, and arterial streets.

Further, a March 2021 Board Item (2021-0008) clarified the eligibility criteria for Measure R and M street and freeway projects and broadened the range of safety, pedestrian, and active transportation enhancements that municipalities and partner agencies may incorporate into freeway, surface street and subregional road improvement projects.

In FY25, the Highway Multimodal Development budget supports groundbreaking for the construction phase of the I-105 ExpressLanes project, the expansion of bus-only lanes and bus infrastructure throughout LA County, including customer-oriented amenities to bus stop shelters. This preliminary budget also supports the re-imagining of the I-710 South and I-605 Hot Spots projects, and ongoing construction for the I-5 North (North County) and the SR-57/SR-60 confluence projects.

Fig 2:

Highway Multimodal Development Project (\$ in millions)		FY24 Budget	FY25 Preliminary	\$ Change	% Change
1	Bus Improvements	\$ 12.2	\$ 36.6	\$ 24.4	199.3%
2	Capacity Improvements	185.4	126.0	(59.4)	-32.0%
3	Express/HOV Improvements	105.1	143.5	38.5	36.6%
4	General Planning	4.6	3.2	(1.4)	-30.0%
5	Local Subregion/Street/Safety/Op Improvements	271.1	263.2	(7.9)	-2.9%
6	Property Maintenance	1.2	1.3	0.1	11.1%
7	Traffic Noise Reduction	22.7	29.1	6.4	28.4%
8	<b>Total Highway Multimodal Development</b>	<b>\$602.3</b>	<b>\$ 602.9</b>	<b>\$ 0.7</b>	<b>0.1%</b>

See Attachment B for additional Highway project details.

Multimodal Highway capital projects are subject to market conditions generating cost escalations, namely rising labor and material costs. Unforeseen conditions, extreme weather impacts, and more stringent environmental regulations also pose financial risks to highway construction projects..

Metro Regional Rail

Metro oversees the planning, programming, and implementation of commuter rail projects in LA County that are or will be operated by external agencies such as the Southern California Regional Rail Authority (Metrolink), Amtrak, California High Speed Rail Authority, and commercial freight carriers. Metro also manages and coordinates capital improvement projects along approximately 150 miles of Metro owned, and Metrolink operated railroad right-of-way.

The preliminary FY25 budget of \$56.7 million is a \$101 million or 64.1% decrease from the FY24 Budget. The decrease is primarily driven by reduced cash flow needs for the Link Union Station project, as the project completes a value-engineering process in anticipation of procuring the Construction Manager / General Contractor (CM/GC) contract in FY25. Other decreases are driven by the Rosecrans/Marquardt Grade Separation project, which will achieve substantial completion in FY25. This grade crossing had been rated the number one grade crossing safety concern in the State. This project is on track for completion on time and under budget and represents a major achievement of Metro’s Regional Rail group.

Other major activities include the transition from final design to construction for the Doran Street Grade Separation Project as well as the first segment of the Brighton to Roxford double tracking project in the east San Fernando Valley. The Lone Hill to White double tracking project in the San Gabriel Valley will complete the final design and pursue funds for the construction phase in anticipation of the construction contract procurement.

The Regional Rail group will also advance preliminary engineering for a high-speed rail service from Palmdale via the High Desert Corridor to the future Apple Valley station of Brightline’s high-speed rail

line to Las Vegas, and an in-fill Metrolink station at the LA General Medical Center.

Fig 3:

Regional Rail Project (\$ in millions)	FY24 Budget	FY25 Preliminary	\$ Change	% Change
1 Link Union Station	\$ 96.0	\$ 10.4	\$ (85.6)	-89.2%
2 Rosecrans & Marquardt Grade Separation	29.0	6.0	(23.0)	-79.3%
3 Brighton to Roxford Double Track	10.2	6.7	(3.5)	-34.3%
4 High Desert Corridor	2.8	10.7	7.9	282.1%
5 Doran Street Grade Separation	8.2	7.9	(0.4)	-4.3%
6 Lone Hill to CP White Double Track	5.8	6.7	0.9	15.8%
7 Other Metro Regional Rail	6.0	8.4	2.4	39.3%
8 <b>Total Metro Regional Rail</b>	<b>\$157.9</b>	<b>\$ 56.7</b>	<b>\$(101.2)</b>	<b>-64.1%</b>

Metrolink Commuter Rail

Metrolink is developing its FY25 operating and capital budget. Metro will work with Metrolink and the other partner agencies to align subsidy levels with eligible financial resources.

The combined effects of the pandemic, telecommuting, and inflationary pressure on material and labor costs have impacted commuter rail agencies. While urban transit ridership in Los Angeles County has significantly rebounded, the shift towards telecommuting reduces the fares collected.

Metrolink’s subsidy requirement will be reviewed to maintain a sustainable financial model for LA County’s commuter rail services, within the eligible funding sources available. An update will be included next month to the Board and the final budget will be brought forward for specific Board approval.

**Regional Allocations and Pass Throughs**

The Regional Allocations and Pass Throughs program represents resources distributed to regional partners to carry out local transportation needs. This component is directly tied to locally imposed and collected sales taxes as well as Metro oversight and distribution of local, State and federal pass-through grant funding. This program includes:

- Pass-through funding awarded to local jurisdictions and municipal and local transit operators through Local Agency Programs (i.e., Local Return) and Regional Transit Funding (i.e. Regional Transit Formula and Access Services).
- Pass-through funding for Major Projects being implemented by local agencies, including the Alameda Corridor East Grade Separation Phase II, Antelope Valley Metrolink Line Projects, Inglewood Transit Connector, and Sankofa Park.
- Grants allocated to local agencies through Other Local Programs such as the Congestion Reduction Demonstration (CRD) Toll Revenue grant program, Open Streets grant program,



Active Transportation Program (ATP), Federal Pass-Throughs, and the Transit Oriented Development (TOD) Planning grant initiative.

The FY25 preliminary budget of \$1.979 billion is a decrease of \$79.1 million, 3.8% below the FY24 Budget as shown in Figure 4. About 84% of this program is comprised of Local Agency Programs and Regional Transit Funding. Current economic conditions are signaling a slowing in sales tax growth for FY25. Thus, direct subsidies, provided by local and State sales tax-based programs that are passed through to Los Angeles County transit operators and local jurisdictions, are expected to decrease slightly. The table below summarizes the FY25 Preliminary Regional Allocations and Pass Throughs Budget.

Fig 4:

Regional Allocations and Pass Throughs					
(\$ in millions)					
	FY24 Budget	FY25 Preliminary	\$ Change	% Change	
1 Local Agency Programs	\$ 962.2	\$ 921.4	\$ (40.8)	-4.2%	
2 Regional Transit	781.3	735.6	(45.7)	-5.8%	
3 Major Projects*	164.3	181.5	17.2	10.5%	
4 Other Local Programs	87.1	82.1	(5.0)	-5.8%	
5 Regional Federal Grants	30.4	23.8	(6.6)	-21.7%	
6 Fare Assistance	32.5	34.3	1.8	5.5%	
7 <b>Program Total</b>	<b>\$ 2,057.8</b>	<b>\$ 1,978.7</b>	<b>\$ (79.1)</b>	<b>-3.8%</b>	

\* Still Under Development

Local Agency Programs

The two funding programs that make up Local Agency Programs include Local Return and Transit Development Act (TDA) Article 3 and Article 8 funding. This subprogram will decrease by \$40.8 million, a decrease of 4.2% over the FY24 budgeted amounts. Most of this decrease is due to an estimated reduction of \$32.9 million in sales tax revenue for the Local Return program compared to FY24 amounts for LA County jurisdictions.

Regional Transit Funding, Including Access Services

Similar to Local Agency Programs, Regional Transit Funding programs are projected to decrease during FY25 by \$45.7 million, a 5.8% decrease, primarily from the lower expected sales taxes. This subprogram is comprised of the annual transit formula funding allocated to the Los Angeles County municipal and local transit operators as well as Access Services. Formula programs for the municipal and local transit operators included in this subprogram include Proposition A Discretionary funding, Measure M 20%, Measure R 20%, SB1 State of Good Repair, TDA Article 4, and other fund programs. Staff also continues to work in partnership with the Bus Operators Subcommittee (BOS) and the Local Transit Systems Subcommittee (LTSS) to understand the residual impacts of COVID-19 and to determine the appropriate allocation methodology for the FY25 transit fund allocations.

In addition, preliminary funding of \$169.4 million is proposed for Access Services operations in Los Angeles County, including the direct Metro subsidy to support Access riders on Metrolink within the County, an increase of \$8 million over the FY24 Budget. The final budget amount is subject to

Access Services' final budget request. The main cost drivers that could force Access Services to submit a budget request greater than the preliminary estimate include a backlog in purchasing replacement vehicles due to supply chain disruptions caused by the pandemic and greater than anticipated ridership demand that is currently being experienced in FY24 and could continue into FY25.

Final distribution amounts will be brought forward for specific Board approval in June, detailing subsidy funding amounts for each municipal and local operator, including Access Services and local jurisdictions.

Regional Transit Funding: Major Projects

This subprogram is comprised of the Alameda Corridor East Grade Separation Phase II, the Antelope Valley Line Projects, Inglewood Transit Connector, and Sankofa Park. It is estimated that these multi-year projects will need more funding (10.5%) during FY25 compared to FY24 due to project progress as depicted in Figure 5.

Fig 5:

<b>Major Projects</b>					
<b>(\$ in millions)</b>	<b>FY24 Budget</b>	<b>FY25 Preliminary</b>	<b>\$ Change</b>	<b>% Change</b>	
1 Alameda Corridor East Phase II	\$ 14.1	\$ 14.1	\$ -	0.0%	
2 Antelope Valley Metrolink Line Projects	25.0	16.3	(8.7)	-34.8%	
3 Inglewood Transit Connector*	114.7	150.0	35.3	30.8%	
4 Sankofa Park Project	10.5	1.1	(9.4)	-89.2%	
5 <b>Total</b>	<b>\$ 164.3</b>	<b>\$ 181.5</b>	<b>\$ 17.2</b>	<b>10.5%</b>	

\*Still Under Development

Other Local Programs & Regional Federal Grant Programs

Due to the pass-through nature, annual variability of local and federal grant programming, and uses by local jurisdictions, -5.8% or \$5 million less funding is being requested for FY25 activities in the following subprograms: ATP-related grants, Call for Projects, CRD Toll Revenue Grant Program, Federal Earmarks, and TOD Planning Grants. Additionally, a decrease of 21.7% or \$6.6 million less funding is projected for Regional Federal Grants.

Fare Assistance - Low Income Fare is Easy (LIFE) Program

The LIFE program is anticipated to continue to grow during the coming year, and the budget request has increased accordingly to \$34.3 million to support the Board approved expansion and improvements to the program. This represents a 5.5% increase over the FY24 budgeted amount for the program and includes the fare subsidies to transit operators participating in the LIFE program.

**FY25 Public Budget Outreach Update**

Metro's commitment to public outreach and engagement on the budget development remains strong, with initiatives for FY25 commencing early in the Fall of 2023. In keeping with this commitment, Metro organized a Telephone Town Hall on October 19, 2023.

The engagement process expanded significantly with the My Metro Budget activity - an interactive budget feedback and educational tool - which has garnered over 3,400 responses along with over 2,900 written comments, nearly triple the number of responses from last year. This approach to public engagement is ongoing and will continue to evolve, ensuring that community input is effectively incorporated into budget discussions.

Public participation is an ongoing process that actively seeks to solicit the interests and values of the public in its annual budget through various channels. The budget briefings and key stakeholder meetings bring together members of these groups and the communities they serve at large to share their feedback and budget priorities.

OMB's budget outreach and engagement initiatives spanned the agency, and many Metro departments partnered to help foster collaboration and dialogue around budget-related matters, with safety, service, and cleanliness being key areas of concern. The methods outlined in Attachment C contain updates on all of the outreach activities mentioned in last month's budget update.

### **EQUITY PLATFORM**

The FY25 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 FY25 Budget development as Metro carries out its initiatives and impacts all communities throughout Los Angeles County. Furthermore, the FY25 Budget will align with principles highlighting how public transit can be equitable, sustainable, economically productive, safe, and Americans with Disabilities Act accessible.

As part of the FY25 EZBB evaluation process, the ongoing Metro Budget Equity Assessment Tool (MBEAT) is in its fourth fiscal year of evaluating equity in Metro's Annual Budget. Staff also incorporated a more detailed geographic equity measure into budget development by conducting Equity Focus Communities (EFC) Budget Assessments for both the FY23 Actuals and the proposed FY25 Budget. Once the FY24 Actuals are completed, staff will also conduct an EFC Budget Assessment on that. Implementation of MBEAT and the EFC Budget Assessment will assess budget items for potential equity impacts, benefits access to opportunities, and ability to reduce potential barriers or harms.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommendation supports the following Metro Strategic Plan Goal:  
Goal # 5: Provide responsive, accountable, and trustworthy governance within the Metro Organization.

### **NEXT STEPS**

Staff continues to review and refine the FY25 Preliminary Budget as it advances through the EZBB process, being mindful of the promise embodied in the two Ordinances and the revenue projections identified in previous month's budget status report.

Next month's budget development update will address Metro Transit Operations & Maintenance, Metro Transit Capital Improvements, Congestions Management, and Planning & Administrations Programs.

## **ATTACHMENTS**

Attachment A - Transit Infrastructure Development Project

Attachment B - Highway Multimodal Development Project

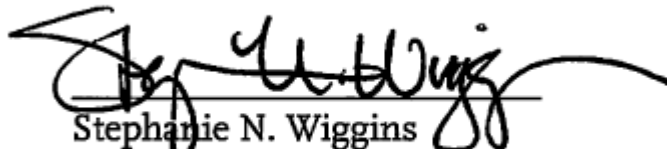
Attachment C - FY25 Budget Outreach

Prepared by: Marie Kim, Deputy Executive Officer, Finance, (213) 418-3472

Cosette Stark, Deputy Executive Officer, Local Programming,  
(213) 922-2822

Robert Gutierrez, Deputy Executive Officer, Finance, (213) 922-4496

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



Stephanie N. Wiggins  
Chief Executive Officer



## Board Report

---

**File #:** 2024-0159, **File Type:** Informational Report

**Agenda Number:** 8.

---

### FINANCE, BUDGET, AND AUDIT COMMITTEE APRIL 17, 2024

**SUBJECT: FISCAL YEAR 2025 BUDGET DEVELOPMENT STATUS UPDATE**

**ACTION: RECEIVE AND FILE**

#### **RECOMMENDATION**

RECEIVE AND FILE on Fiscal Year 2025 Budget Development Status Update.

#### **ISSUE**

This report continues a series of monthly updates on the FY25 Budget development process, culminating in a planned May 2024 Board Adoption. The report focuses on the key areas of Metro's Transit Operations and Maintenance (O&M) Program and Transit Capital Improvement Projects (CIP) to maintain transit infrastructure in a state of good repair. These two programs combined make up 36% of Metro's total budget.

Additionally, an overview of Congestion Management, General Planning and Programs, and Oversight and Administration, which make up about 5% of Metro's total budget are included to complete the program budget discussions for the FY25 Budget development process. A recap of the Special Board Budget Workshop and the latest update regarding Metro's comprehensive budget outreach efforts are also included in this report.

#### **BACKGROUND**

This preliminary budget serves as the annual cash flow of expenditures and revenues required to advance Transit Operations plans, fulfill Operations and Maintenance needs, repair and upgrade Transit Infrastructure, and enhance the customer experience. While the Operations and Maintenance and Capital Improvement Project budgets reflect this annual cash flow, Capital Improvement Projects (CIP) are controlled at a Life of Project (LOP) budget level.

#### **DISCUSSION**

**Metro Transit Operation and Maintenance Program Overview**

To attract and retain riders, Metro’s Transit O&M program aims to provide best in class transit service by continuing NextGen service improvements, enhancing customer experience, reimagining public safety, and making transit accessible and affordable. To achieve these goals, the FY25 Preliminary O&M Budget is \$2.65 billion, an increase of 11.4% or \$272.4 million over the FY24 Budget, as shown in Figure 1 below. It includes funding to support the delivery of 8.8 million Revenue Service Hours (RSH) to operate Bus and Rail services, as well as the Metro Micro pilot program.

Figure 1:

Operations & Maintenance (\$ in millions)	FY24 Budget	FY25 Preliminary	\$ Change	% Change	% of Total
1 Bus	\$ 1,533.0	\$ 1,754.8	\$ 221.8	14.5%	66.2%
2 Rail	806.2	855.0	48.8	6.1%	32.2%
3 Metro Micro	40.1	41.9	1.8	4.4%	1.6%
4 <b>Operations &amp; Maintenance Total</b>	<b>\$ 2,379.3</b>	<b>\$ 2,651.7</b>	<b>\$ 272.4</b>	<b>11.4%</b>	<b>100.0%</b>
<b>5 Cost per RSH</b>					
6 Bus	\$ 215.3	\$ 245.2	\$ 29.8	13.9%	
7 Rail	\$ 535.4	\$ 609.4	\$ 74.0	13.8%	
8 Metro Micro	\$ 147.2	\$ 154.2	\$ 7.0	4.8%	

Note: Totals may not add up because of rounding.

Wage increases for AFSCME, ATU, TCU and Teamsters are not included in the FY25 Preliminary Budget numbers pending the conclusion of Collective Bargaining Agreement negotiations.

**Service Plan Assumptions**

The Board-approved service plan is the foundation for estimating all costs required to operate the system for the coming fiscal year. The bus service plan has undergone a transformation through NextGen to create an all day, fast, frequent, and reliable bus network. In FY25, Metro plans to operate 7.16 million RSH, reflecting a 3.6% increase over the FY24 estimated actuals. Efforts will continue the expansion of more than 50 miles of new bus lanes and implementing speed and reliability improvements that reduce travel time for riders.

The FY25 rail service plan encompasses 1.40 million rail RSH for four light rail lines (A, C, E, K), and two heavy rail lines (B, D). The plan improves service frequency, particularly during off-peak hours, to adapt to current ridership patterns. The proposed rail service plan will see an increase of 198 thousand RSH or 16.4% compared to FY24 estimated actuals.

The rail service plan includes the highly anticipated addition of the LAX/Metro Transit Center (AMC) and the Aviation/Century stations along the K-Line in FY25. This will allow the K-Line extension to connect with the C Line. In addition, Around 81 thousand pre-revenue service hours for testing are also planned for the Purple Line Extension Phase 1 (PLE1) and A-Line (Foothill) Pomona extension. Specific resource requirements to operate both the new K-Line AMC station and Emergency Operations Center, as well as pre-revenue for both the PLE1 and Foothill Pomona Extension, will be brought to the Board for separate approval and a budget amendment.

*Metro Micro*

Metro Micro’s preliminary budget increases by 4.4% or \$41.9 million and includes staffing and contracted expenses to operate 271.4 thousand RSH. See Attachment A for additional Bus, Rail, and Metro Micro budget details.

Increased Budget Resource Allocation for Enhanced Customer Experience

*Station Experience*

The pilot station intervention strategies at Westlake/MacArthur Park Station were extremely effective, resulting in a reduction in crime and loitering at the station. The CEO established a “Station Experience” unit to expand these strategies and elevate public safety, cleanliness, operations, and customer experience throughout all Metro stations and transit centers. Stations are being evaluated to determine the types of strategies to be implemented.

The FY25 Preliminary Budget expands the station experience activities to include more stations for a total budget of \$9.9 million. 10 new FTE’s will be added and \$7.5 million is allocated in the CIP program to address these efforts, as shown in Figure 2 below.

*Cleaning*

The FY25 Preliminary Budget includes \$255.4 million for comprehensive cleaning activities, reflecting a 14.4% increase or \$32.2 million over FY24. This includes the addition of 165 new staff to be deployed directly to clean and upkeep bus and rail vehicles, stations, stops and facilities. The Room-to-Work program, established to provide career opportunities to unhoused riders, will continue to provide part-time custodial cleaning positions at rail stations. Figure 2 summarizes the increases in FTE and budget request from FY24 to FY25.

Figure 2:

(\$ in Millions) Area	FY24	FY25	%		FY24	FY25	%	
	FTE	FTE	Change	Change	Budget	Preliminary	Change	Change
Buses	388	400	12	3.1%	\$ 75.2	\$ 79.8	\$ 4.6	6.1%
Trains	164	210	46	28.0%	32.2	39.7	7.5	23.4%
Facilities	108	108	0	0.0%	30.5	29.9	(0.5)	-1.7%
Stations	237	334	97	40.9%	80.7	91.7	11.1	13.7%
Stops	23	23	0	0.0%	4.3	4.3	0.03	0.8%
Station Experience	2	12	10	500.0%	0.4	9.9	9.6	2695.0%
<b>Cleaning &amp; Station Experience Total</b>	<b>922</b>	<b>1,087</b>	<b>165</b>	<b>17.9%</b>	<b>\$ 223.2</b>	<b>\$ 255.4</b>	<b>\$ 32.2</b>	<b>14.4%</b>

Note: Totals may not add up due to rounding

See Attachment B for more details on cleaning and station experience efforts.

**Public Safety**

One of the top priorities for Metro and our riders is safety. Metro’s Reimagining Public Safety Framework outlines a multi-layered approach to enhance public safety on the system. This multi-layered approach includes private and Metro transit security officers (TSO). Fifty-three additional Metro TSOs are included in FY25 Preliminary Budget to ensure weekend and late-night coverage on

Metro systems. The other requests allow more dedicated bus-riding teams, transit ambassadors, and Community Intervention Specialists (CIS). As a cornerstone of the interconnected multi-layered public safety strategies, the Homeless and Mental Health Outreach budget request ensures that appropriate personnel are deployed to address specific safety and law enforcement issues. The FY25 Preliminary Budget for Public Safety includes \$354.1 million, a 9.9% increase from the FY24 Budget, shown in Figure 3 below.

Figure 3:

	Public Safety Resource Deployment (\$ in millions)	FY24 Budget	FY25 Preliminary	\$ Change	% Change
1	Transit Ambassadors <sup>(1)</sup>	\$ 23.5	\$ 33.3	\$ 9.8	29.5%
2	Homeless/Mental Health Outreach	25.2	25.2	(0.1)	-0.2%
3	Metro Transit Security <sup>(2)</sup>	50.9	57.9	7.1	12.2%
4	Private Security	43.5	43.6	0.1	0.3%
5	Law Enforcement	175.8	194.1	18.3	9.4%
6	<b>Public Safety Resource Deployment Total</b>	<b>\$ 318.9</b>	<b>\$ 354.1</b>	<b>\$ 35.2</b>	<b>9.9%</b>

Note: Totals may not add up due to rounding.

<sup>(1)</sup> Includes Street Teams, Community Intervention Specialists (CIS), and expansion of the Ambassador breakrooms and deployment sites in FY25.

<sup>(2)</sup> Includes salary, fringe benefits, workers' compensation, and other indirect costs.

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

The CIP program goal is to methodically renew and improve Metro Transit Systems while maximizing scarce bus and rail capital resources. The CIP budget focuses on maintaining, upgrading, and modernizing assets and infrastructure to provide high quality and reliable transit services. Capital asset improvements within this budget include the implementation of new technologies, rolling stock purchases, rolling stock modernization, station improvements, and other components.

The FY25 CIP program preliminary budget requests \$530.6 million to maintain Metro's bus, rail, regional, and critical information systems needed to manage and monitor system-wide performance. The budget reflects the necessary cash flow to complete FY25 milestones and deliverables. A profile of the CIP program is shown in figure 4 below.

Figure 4:



Capital Category (\$ in millions)	FY24 Budget	FY25 Preliminary	\$ Change	% Change	% of Total
1 Fleet Procurement	\$ 70.1	\$ 48.3	\$ (21.8)	-31.1%	9.1%
2 Fleet Maintenance	44.1	48.6	4.5	10.1%	9.2%
3 Facilities Improvements	21.0	44.8	23.8	113.0%	8.4%
<b>4 Bus Subtotal</b>	<b>\$ 135.2</b>	<b>\$ 141.7</b>	<b>\$ 6.4</b>	<b>4.8%</b>	<b>26.7%</b>
5 Fleet Procurement	\$ 32.8	\$ 59.8	\$ 27.1	82.5%	11.3%
6 Fleet Maintenance	136.2	94.0	(42.2)	-31.0%	17.7%
7 Facilities Improvements	8.7	8.8	0.0	0.5%	1.7%
8 Wayside Systems	52.3	63.2	10.9	20.8%	11.9%
<b>9 Rail Subtotal</b>	<b>\$ 230.0</b>	<b>\$ 225.7</b>	<b>\$ (4.2)</b>	<b>-1.8%</b>	<b>42.5%</b>
10 Regional and Hubs	\$ 34.0	\$ 42.3	\$ 8.3	24.3%	8.0%
11 Technology	66.0	72.1	6.1	9.2%	13.6%
12 Non MR/MM Major Construction	61.5	39.9	(21.6)	-35.1%	7.5%
13 Non-Revenue Vehicles	12.7	9.0	(3.7)	-29.3%	1.7%
<b>14 Other Asset Improvements Subtotal</b>	<b>\$ 174.2</b>	<b>\$ 163.2</b>	<b>\$ (10.9)</b>	<b>-6.3%</b>	<b>30.8%</b>
<b>15 Total Proposed CIP Budget</b>	<b>\$ 539.4</b>	<b>\$ 530.6</b>	<b>\$ (8.7)</b>	<b>-1.6%</b>	<b>100.0%</b>

Note: Totals may not add up due to rounding.

Metro will continue working toward achieving a zero-emission bus (ZEB) fleet in the coming years. This effort will require a \$3.5 billion to \$4.0 billion investment in buses and charging infrastructure. Although there is a decrease in bus acquisition expenditures this year, new zero emission bus acquisitions are in the pipeline and will increase as available technology and manufacturing capacity permit. A majority of the Bus Fleet Procurement, line 1 in figure 4, and Facilities Improvements, line 3 in figure 4, are dedicated to ZEB. See Attachment C for additional CIP budget details.

### **Total Bus Investment**

Metro prioritizes bus investment beyond Transit O&M program and service level. A comprehensive Total Bus Investment includes not only the cost of the operations, maintenance, but also NextGen initiatives, capital improvements, planning and construction efforts, as well as other customer experience initiatives and studies. The FY25 Preliminary Budget requests \$2.2 billion in total bus investments as shown in Figure 5.

Figure 5:

Bus Investments (\$ in Millions)	FY24 Budget	FY25 Preliminary	\$ Change	% Change	% of Total
1 Bus Operations & Maintenance	\$ 1,533.0	\$ 1,754.8	\$ 221.8	14.5%	78.6%
2 Bus NextGen	49.6	44.6	(5.0)	-10.1%	2.0%
3 Bus Capital Improvements	140.4	159.6	19.2	13.7%	7.1%
4 Bus Transit Construction & Planning	151.6	246.8	95.2	62.8%	11.1%
5 LIFE Program/Bus	25.4	27.1	1.7	6.7%	1.2%
<b>6 Total of Bus Investments</b>	<b>\$ 1,900.0</b>	<b>\$ 2,232.8</b>	<b>\$ 332.9</b>	<b>17.5%</b>	<b>100.0%</b>

Note: Totals may not add up because of rounding.

See Attachment D for additional Bus Investment details.

### **General Planning & Programming, Congestion Management, and Oversight and Administration**

Figure 6:

Expenditures by Program Type (\$ in millions)		FY24 Budget	FY25 Preliminary	\$ Change	% Change	% of Total
1	General Planning & Programs	237.4	228.8	(8.6)	-3.6%	2.7%
2	Congestion Management	130.7	124.4	(6.3)	-4.8%	1.5%
3	Oversight & Administration	84.3	90.2	5.9	7.0%	1.1%
4	<b>Total</b>	<b>\$ 452.4</b>	<b>\$ 443.5</b>	<b>\$ (9.0)</b>	<b>-2.0%</b>	<b>5.2%</b>

**General Planning & Programming**

The FY25 Preliminary Budget for General Planning & Programming (GPP) totals \$228.8 million, a decrease of 3.6% or \$8.6 million from FY24. This program encompasses a wide range of activities supporting the agency’s goal of delivering improved mobility and sustainability. Changes in the GPP budget reflect right-sizing resource requests based on the current burn rate and project status. These activities include long-range and systemwide financial planning, grants management, new and enhanced transit infrastructure planning, Metro’s bike program, unsolicited proposals/public private partnerships (P3), sustainability, joint development efforts and Union Station upgrades.

**Congestion Management**

The FY25 Preliminary Budget for Congestion Management totals \$124.4 million, a decrease of 4.8% or \$6.3 million from FY24. The program consists of four major groups: ExpressLanes, Freeway Service Patrol (FSP), Motorist Services, and Rideshare Services. The expenditure decrease in FY25 is mainly due to the completion of the Transponder Replacement Project in FY24.

**Oversight and Administration**

The FY25 Preliminary Budget for Oversight and Administration totals \$90.2 million, a 7.0% increase or \$5.9 million increase from FY24. This program enhances customer experience through public safety, such as the mystery rider program to support fair and equitable fare compliance, ADA accessibility, and riders with limited English proficiency. Metro is also creating a digital roadmap to enhance the customer experience with new technology platforms.

**Special Board Budget Workshop**

On Friday, March 29, 2024, a Special Board Budget Workshop was held at Los Angeles County Arboretum in the Ayres Hall. The workshop provided the Board with in-depth information leading to the forecasted financial outlook. The workshop afforded the Board an opportunity to take a holistic and comprehensive approach to review the economic context in Los Angeles County and its impact on Metro’s operating program delivery resulting in a projected near-term operational deficit.

Setting the tone with the recent Los Angeles County travel trends, economic challenges, and Metro’s path to restore, expand, and enhance transit services, the workshop linked specific causes of cost increases and revenue-generating opportunities to four policy focus areas that impact the operating financial outlook:

1. Environmental Sustainability
2. Universal Basic Mobility
3. Putting People First
4. Revenue Stream and Strategies

Each focus area provided the Board with nationwide statistics and actual financial data for a broader spectrum of Board member discussions facilitated by McKinsey Consulting. The Board was able to identify other areas for Metro staff to explore and request additional information to help prioritize policy decisions.

### **Early & Expanded Public Engagement Update**

Metro is committed to reflecting the perspectives of its diverse community in the annual budget. Public engagement began proactively in the Fall of 2023 and consistently throughout the process. Metro believes that the most powerful tool is the voice of its riders, stakeholders, and the public. The FY25 My Metro Budget activity has received over 4,250 responses, tripling last year's input.

Two CEO Telephone Town Hall (TTH) events are scheduled this budget season. The first TTH was held in October 2023, and attendees had the opportunity to share their concerns and suggestions, which were documented and considered during the FY25 Budget development. The next TTH is scheduled for April 16, 2024. Senior Metro Leadership will share updates on FY25 initiatives and address key public concerns.

In April and May, Metro staff will continue engaging stakeholders through extended outreach meetings to gather additional feedback and insight. See further details on the Outreach and Engagement efforts in Attachment E.

### **DETERMINATION OF SAFETY IMPACT**

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

### **EQUITY PLATFORM**

Metro's Transit Program focuses on Bus and Rail service, customer experience initiatives, and public safety enhancements. Customer engagement efforts to develop the budget were inclusive, with marketing to reach residents in Equity Focus Communities (EFCs) and other diverse riders. This portion of the budget considers the comments received from riders about safety, cleanliness, frequency, and reliability. The proposed FY25 service plan and budget emphasizes putting people first- riders, stakeholders, and employees while providing equitable, sustainable, economically productive, safe, and accessible service.

This budget works to expand and enhance the system by implementing service that meets customer demand. It also funds ADA accessible and expansive services, like Metro Micro to better serve all communities' unique transit needs. Additionally, the budget considers Metro's Reimagining Public Safety campaign for homeless and mental health outreach, as well as safety and security with the expansion of 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 My Metro Budget engagement tool. The Telephone Town Hall meetings dialed out to 100% of EFCs. The My Metro Budget tool is available in Spanish and English to engage and educate the public. These tools are available at all times. An additional

---

Telephone Town Hall meeting will be held on April 16th, and the results will be analyzed by staff to develop strategies for continued improvement of Metro Transit programs and initiatives.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommendation supports the following Metro Strategic Plan Goal:

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

### **NEXT STEPS**

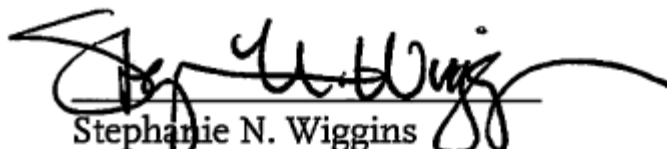
Staff continues to review and refine the FY25 Preliminary Budget as it advances through the process, being mindful of the promise embodied in the Service Plan and Capital Improvement Plan, as well as planned Agency-wide initiatives. The FY25 Proposed Budget will be published on April 30, 2024. A public hearing will be held on May 15, 2024, for the Board's consideration to adopt the Proposed FY25 Budget on May 23, 2024.

### **ATTACHMENTS**

- Attachment A - Metro Transit O&M - (Budget and Service Plan)
- Attachment B - Station Experience and Cleaning Initiatives
- Attachment C - Metro Transit Capital Improvement Projects Details
- Attachment D - Total Bus Investments
- Attachment E - Early, Improved & Expanded Public Engagement Update

Prepared by: Christopher Gallanes, Executive Officer, Finance, (213) 922-4828  
Scott Arbuckle, Deputy Executive Officer, Finance, (213) 922-5581  
Parvaneh Ahmadi, Senior Director, Finance, (213) 922-2864  
Giovanna Gogreve, Director, Budget (213) 922-2835

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



Stephanie N. Wiggins  
Chief Executive Officer