



Board Report

File #: 2022-0153, File Type: Informational Report

Agenda Number: 15.

**FINANCE, BUDGET, AND AUDIT COMMITTEE
APRIL 20, 2022
OPERATIONS, SAFETY, AND CUSTOMER EXPERIENCE COMMITTEE
APRIL 21, 2022**

**SUBJECT: FISCAL YEAR 2023 BUDGET DEVELOPMENT STATUS UPDATE
ACTION: RECEIVE AND FILE**

RECOMMENDATION

RECEIVE AND FILE the Fiscal Year 2023 (FY23) Budget Development Status Update.

ISSUE

This is the third in a series of monthly updates to the Board on the FY23 Budget development process, culminating in a planned May 2022 Board Adoption.

BACKGROUND

This update highlights the following:

- A. Equitable Zero-Based Budgeting (EZBB) Cost Control
- B. People First: Quality Investments
- C. Metro Transit Program (Service Plan, Boardings, Fare, and Budget)
- D. Budget for Congestion Management, General Planning & Programming and Oversight & Admin Programs
- E. Early, Improved & Expanded Public Engagement Update

DISCUSSION

A. Equitable Zero-Based Budgeting (EZBB) Cost Control

As Los Angeles County emerges from the COVID-19 pandemic and Metro Operations gears up to welcome back riders, we are preparing to open two new rail services as well as restoring bus service back to pre-pandemic levels. Funding for FY23 Metro Transit Operation program preliminary budget relies heavily on the last of one-time Federal Stimulus Funds, American Rescue Plan Act (ARPA).

Recent inflationary cost trends impact on Metro’s expense continues to grow as Metro starts to operate new rail lines, addresses labor shortage, and absorbs supply chain logistic issues in operations. Additionally, new and improved initiatives implemented during the pandemic such as

cleaning, public safety outreach, Metro Micro, expanded Low Income Fare is Easy (LIFE) enrollment, and Fareless System Initiative (FSI) programs will continue and add more operating cost. The disparity between the loss of ARPA funding and the slower growth pace of local sales tax and fare revenues results in a projected affordability gap starting in FY24 and widening in FY25.

Metro is weighing and developing mitigation strategies to address this near-term affordability gap which led Metro to embark upon the Equitable Zero-Based Budget (EZBB) process for FY23. The goal of EZBB is to ensure tight cost control by identifying and addressing the root causes of cost growth and prioritizing projects and programs with a clear focus on equity and customer experience. The EZBB process will be continued in future years to support our cost mitigation efforts and to achieve a sustainable financial future for Metro. For further information on this, please refer to Attachment A.

The EZBB process in FY23 serves as the overall cost control management tool. It started with the creation of Task Forces to evaluate and address key near-term findings. The Task Forces are comprised of multi-departmental leadership level staff to evaluate the following:

- Bus and Rail Cost - Review cost allocation approach; breaking down controllable direct and indirect cost items. Explore Bus and Rail cost reduction opportunities at itemized detailed levels and proposing updated plans.
- Optimal Service Design - More than focusing on quantity of service, explore solution to provide optimal service to improve speed and reliability, adding more miles to each hour of revenue service. Advancing the quality of customer experience.
- Capital Cost Mitigation - Consider phased life cycle capital development costs from planning to pre-revenue and operation. Research best practice for capturing Pre-Revenue cost. Propose soft cost control policy, evaluate Metro staff vs. consultant staffing models, review design criteria, and assess alternative delivery methodology. Produce fiscally responsible and transparent reporting.

We will continue to pursue additional grant and funding opportunities. With each step of task force evaluation, Staff will inform the Board of schedule and affordability impacts while discussing tradeoffs and mitigation strategies.

B. People First: Quality Investments

Our goals are focused on putting People First: our riders, our partners, and our employees. For Transit Operations, People first means providing high quality, frequent and reliable service to our riders. This budget incorporates the many initiatives underway to improve the quality of service under the umbrella of Customer Experience.

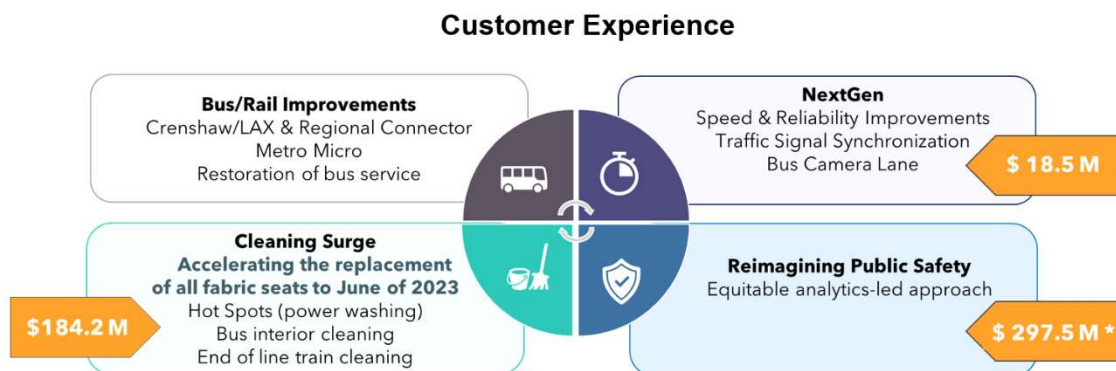
Figure 1:



The FY23 Preliminary Budget puts equity at the core of the decision making, guiding our development with the goal of improving access. The restoration of bus service and the openings of Crenshaw/LAX (K Line) and Regional Connector significantly improves access, connectivity and increases mobility options to our equity-focused communities, including one seat service across the county that minimizes transfers and reduces the time impacts on riders. These new mobility options will help reduce barriers, provide more access to opportunities, resulting in an increase in ridership.

The Customer Experience Plan (CX Plan) is comprised of programs that involve every Metro department and programs including Reimagining Public Safety, NextGen improvements to increase the efficiency and reliability of bus and rail transit, Enhanced Cleanliness programs, our LIFE program for low-income riders, and FSI student support program - our investment in the riders of the future. One major initiative being accelerated in FY23, a direct result from public feedback, is the replacement of all fabric seats throughout our system by June 2023, three years earlier than currently planned. Figure 2 below illustrates the Customer Experience umbrella.

Figure 2:



See Attachment B for details on the initiatives underway.

C. Metro Transit Program (Service Plan, Boardings, Fare, and Budget)

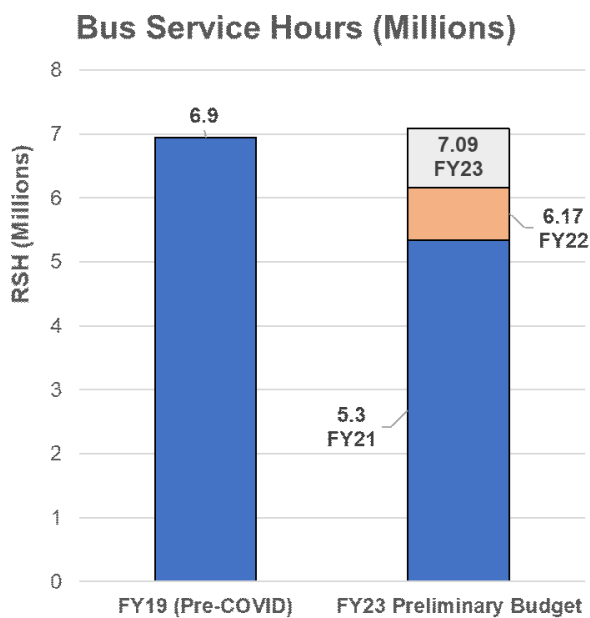
Service Plan

An essential element to the rider experience is the level of service and this budget is both restoring bus service and is adding rail service. The total bus and rail service includes 8.43 million RSHs (excluding Metro Micro RSH) which is 3.8% increase from pre-pandemic levels and a 4.5% increase over FY22 budget.

Bus

As shown in figure 3, Bus service is restored back to pre-COVID-19 level of seven million Revenue Service Hours (RSH) in FY23, a 2.1% increase from FY22 budget.

Figure 3:



Note : This chart excludes Metro Micro revenue service hours.

Rail

Metro’s Rail mobility options are expanding with the opening of two new lines: K Line (Crenshaw/LAX) Phase I and Regional Connector. Both are planned to open during the first half of FY23. As shown in figure 4 below, opening of the two new rail extensions, will increase the service to 1.34 million RSHs, a 19.4% increase over FY22 budget.

- The Crenshaw/LAX Line will extend transit service from the existing E Line (Expo Line) to, and merging with, the C Line (Green Line).
- Regional Connector will provide convenience to those already taking existing A, E, and L rail Lines (Blue, Expo, Gold). Riders will save travel time by eliminating transfers in downtown today

with a one-seat ride for traveling across Los Angeles County.
 See figure 5 for additional track miles, stations, service hours, and updated headways with opening of Crenshaw/LAX Line (K Line) phase I and Regional Connector.

Figure 4:

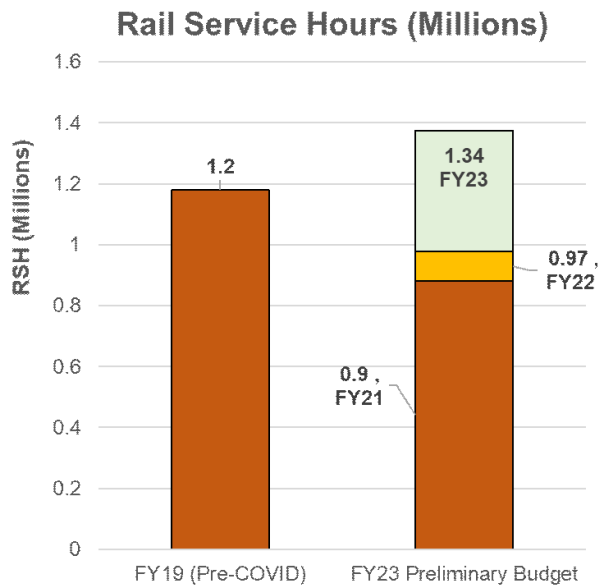


Figure 5:

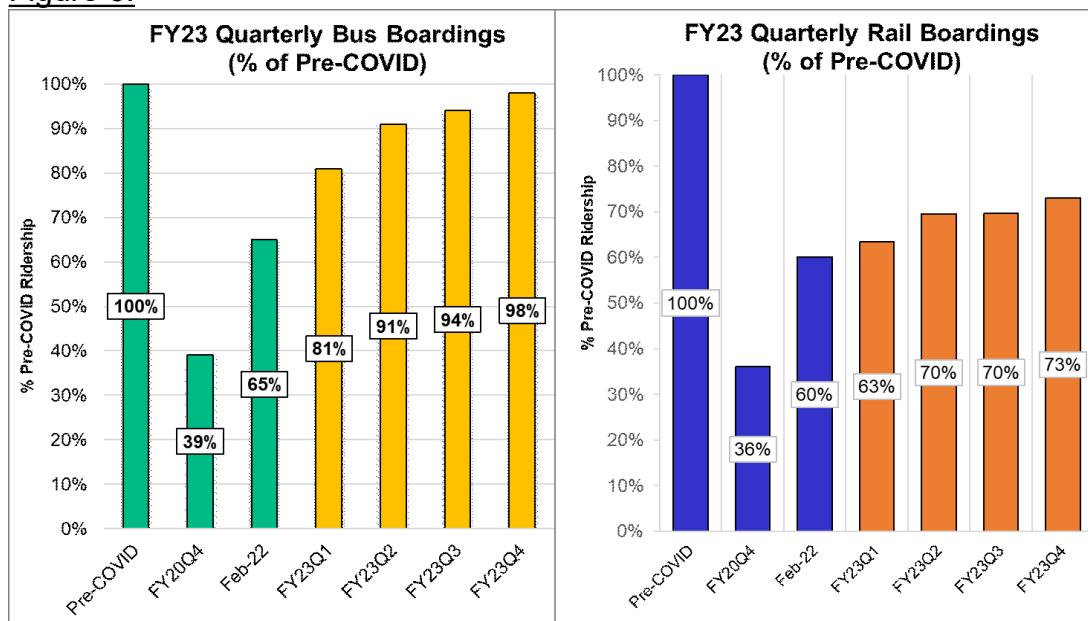
Existing Rail System	Crenshaw/LAX (K Line) Phase 1	Regional Connector
102.7 track miles	8.5 track miles	1.9 track miles
98 stations	8 new stations (7 opening in FY23)	3 new stations
1,113,807 (RSH)	58,022 (Pre-Revenue & RSH)	202,389 (pre-revenue & RSH)
8-minute headways (FY23 Q1-Q2)		
6-minute headways (FY23 Q3-Q4)		
<i>(Subject to ridership demand and operator availability)</i>		

Boardings

With the service improvements in restoring bus service level, adding new and connected rail services, and People First quality enhancements, ridership is estimated to increase by 25% from FY22 Year end estimate for a total of 326.6 million boardings. Phase 1 of the FSI student support program so far has attracted about 20% more student boardings. By the fourth quarter of FY23, bus ridership is expected to be at 98% of pre-pandemic level and rail ridership with slower recovery is expected to be at 73% of pre-pandemic ridership level. In addition, the one seat ride connected by

Regional Connector will attract new riders, but will reduce unlinked passenger boarding counts by eliminating the need to transfer. See figure 6 below for projected FY23 Quarterly Bus and Rail Boardings as a percentage comparison to pre-pandemic ridership level.

Figure 6:



Fare Revenue

To minimize risks for both transit operators and transit riders at the onset of the pandemic in March 2020, Metro implemented rear-door boarding on all buses and fare enforcement was suspended. In May 2020, Board Motion 36 (“Emergency Relief: Full-Price Passes”) was adopted, requiring Metro to offer full fare riders a 50% discount on transit passes once regular boarding practice resumes. In addition, in September 2021, Board Motion 40 (“Amendment to the Fareless System Initiative”) was adopted, directing Metro to double enrollment in the LIFE program and to offer an incentive of free 90-day transit passes for eligible new sign-ups.

Overall, Metro’s non-enforcement approach to fare collection stayed in place for nearly two years. When fare collection resumed on January 10th this year, the two Board Motions were simultaneously implemented. As we continue to monitor and analyze shifts in boardings and fares over the first several months of fare collection, staff will report back on the impacts of Board Motion 36 and Board Motion 40 in June 2022.

Throughout the pandemic, one-time Federal relief funding (CARES, CRRSA, ARPA) continues to supplant estimated fare revenue losses of up to \$689 million through FY23, with the remaining relief funding used for direct transit operations that also helped to ensure no Metro employees were laid off. Based on the most current information available on actual fare collection since January 10th, the FY23 Preliminary Budget will assume \$106 million for passenger fare revenues. While this is significantly more than the \$20 million collected in FY21 at the height of the pandemic, it is still almost \$150 million less than pre-pandemic fare revenues of \$260 million annually, with the funding gap

covered by ARPA in FY23. See figure 7 below on estimated fare revenues and variance.

Figure 7:

Fiscal Year	Expected Fare Revenues*	Actual/Estimated Fare Revenues	Variance	Federal Stimulus Backfill for Loss
FY19	\$302M	\$260M	(\$42M)	
FY20	\$285M	\$181M	(\$104M)	CARES
FY21	\$270M	\$20M	(\$250M)	CARES
FY22	\$257M	\$60M	(\$197M)	CRRSA
FY23	\$244M	\$106M-166M **	(\$78M-\$138M)	ARPA
Total Backfill from Stimulus			(\$629M - \$689M)	

Metro Transit Program Budget

As shown in figure 8 below, the FY23 preliminary budget estimate for Metro Transit Program is \$2.2 billion, an increase of 6.4% or \$131.7 million over FY22 budget and includes funds to support delivery of 8.7 million RSHs to operate Bus, Rail and Metro Micro services.

- Bus expenses are anticipated to increase by \$61.5 million or 5.0% from FY22 budget. This increase will support improved service levels with enhanced quality and service reliability.
- With the addition of the new rail lines, rail budget expenses are anticipated to increase by \$118.9 million or 19.0% from FY22 budget.
- Metro Micro budget is \$37.9 million and includes additional staffing and contract expenses for expansion of service by 24% to 271.4 thousand RSHs.

See further details for Bus, Rail and Metro Micro budget in Attachment C.

Figure 8:

Metro Transit (\$ in Millions)	FY22 Budget	FY23 Prelim	\$ Change	% Change	% of Total
1 Bus Total	\$1,239.1	\$1,300.7	\$ 61.5	5.0%	59.2%
2 Rail Total	627.2	746.0	118.9	19.0%	33.9%
3 Metro Micro (Microtransit)	39.1	37.9	(1.2)	-3.0%	1.7%
4 Metro Transit Total	1,905.4	2,084.6	179.2	9.4%	94.8%
5 FTA Approved Overhead Allocations	161.7	114.2	(47.6)	-29.4%	5.2%
6 Grand Total	\$2,067.1	\$2,198.8	\$ 131.7	6.4%	100.0%

D. Budget for Congestion Management, General Planning & Programming and Oversight & Admin

As shown in figure 9 below, the FY23 Preliminary Budget for Metro Transit (including Metro Micro pilot project), General Planning & Programming, Congestion Management and Oversight & Admin programs totals \$2.6 billion. As the FY23 EZBB process progresses, more detail budget proposals by program are developed.

The following summarizes the changes between FY23 and FY22:

- Congestion Management totals \$136.6 million, an increase of \$33 million or 31.8%.
- General Planning & Programming program totals \$216.6 million, an increase of \$50.5 million or 30.4%.
- \$80.1 million for Oversight & Admin, a \$10.3 million or 14.7% increase from FY22.

See further details on the budget for these three programs in Attachment D.

Figure 9:

	Expenditures by Program Type (\$ in Millions)	FY22 Budget	FY23 Prelim	\$ Change	% Change	% of Total
1	Metro Transit - Operations	\$ 2,067.1	\$ 2,198.8	\$ 131.7	6.4%	26.6%
2	General Planning & Programs	166.1	216.6	50.5	30.4%	2.6%
3	Congestion Management	103.7	136.6	33.0	31.8%	1.7%
4	Oversight & Admin	69.8	80.1	10.3	14.7%	1.0%
5	Total of Programs covered in April Report	\$ 2,406.7	\$ 2,632.0	\$ 225.4	9.4%	31.9%
6	Total of Programs covered in March Report	\$ 5,117.9	\$ 5,630.2	\$ 512.3	10.0%	68.1%
7	Total of April and March Reports	\$ 7,524.6	\$ 8,262.2	\$ 737.6	9.8%	100.0%

In May, staff will provide the consolidated Agency-wide Expenses and FTEs Budget Proposal along with an update on Debt borrowing plans, which is a financing tool to help deliver essential capital projects.

E. Early, Improved & Expanded Public Engagement Update

As an industry leader in equity, the CEO has helped lay the groundwork for more equitable outcomes as we incorporate the voices of our diverse community into the FY23 Budget. Per CEO direction, staff began the public engagement early, and pursued it often. As pandemic restrictions were lifted and the economy opened, staff resumed and expanded the public participation process.

The expanded outreach has been very successful in engaging the public. Metro held three Telephone Town Hall Meetings with over 11,000 participants, released a Budget Survey resulting in over 8,000 responses (compared to 1,659 last year) and over 4,100 written comments (compared to 700 last year). In addition, staff designed and launched a new budget portal (metrobudget.net) that provides updated budget information. Staff will continue public engagement efforts with expanded stakeholders outreach meetings. See Attachment E for details on our FY23 Proposed Budget Public

Engagement efforts.

DETERMINATION OF SAFETY IMPACT

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

FINANCIAL IMPACT

The assumptions described above are the budget planning parameters that will guide the development of the FY23 Budget. The preliminary budgets may be adjusted as more specific and updated information becomes available.

EQUITY PLATFORM

This month's report focuses on Metro's Transit program and highlights operating and maintenance of Metro bus and rail services, general planning and programing, congestion management, as well as several customer experience initiatives and public safety enhancements. The Transit Operations Budget emphasizes the importance of Valuing Our People, riders, stakeholders, and employees while providing equitable, sustainable, economically productive, safe, and accessible service.

Metro engaged riders, stakeholders and the broader public early in the budget process, starting with Telephone Town Halls in September followed by a budget survey in January that was offered in Spanish and English to acquire feedback on budget priorities. The survey marketing plan utilized social media ads to capture a broad range of responses and utilized additional targeted practices to ensure a sampling of survey respondents that represents LA County's diverse residents and Metro's ridership.

Additionally, the Metro Budget Equity Assessment Tool (MBEAT) was also incorporated in the FY23 Budget development to assess budgetary requests for equity benefits, impacts and considerations.

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

Staff will review and finalize the FY23 Budget proposal for Board consideration of adoption and in time for the public hearing on May 18th.

ATTACHMENTS

Attachment A : Equitable Zero-Based Budgeting (EZBB) Cost Control

Attachment B : People First: Quality Investments

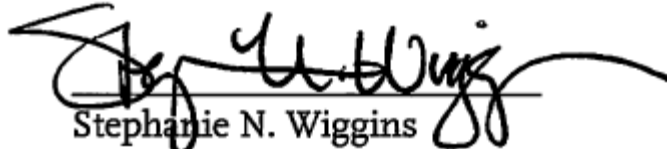
Attachment C : Metro Transit Program (Budget and Service Plan)

Attachment D : Congestion Management, General Planning & Programming, and Oversight & Admin Programs

Attachment E : Early, Improved & Expanded Public Engagement Update

Prepared by: Melissa Wang, Senior Executive Officer, Finance, (213) 922-6024
Michelle Navarro, Senior Executive Officer, Finance, (213) 922-3056
Christopher Gallanes, Executive Officer, Finance (213) 922-4828
Parvaneh Ahmadi, Director, Finance, (213) 922-2864
Nikhil Sunder Raj, Manager, Finance, (213) 922-1097
Spencer Vrieze, Transportation Planner, Finance, (213) 922-2449

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



Stephanie N. Wiggins
Chief Executive Officer

Equitable Zero-Based Budgeting (EZBB) Cost Control

CEO Directive: Apply EZBB to Operating Cost Control and Capital Investment



Establish highest-level Task Forces comprised of most experienced Cabinet members from Operations, Planning and Program Management



Bus Cost: Review cost allocation approach; explore Bus cost control and reduction opportunities by reviewing itemized details and proposing updated plan



Rail Cost: Review cost allocation approach; explore Rail cost control and reduction opportunities by reviewing itemized details and proposing updated plan



Optimal Service Design: More than focusing on quantity of service, explore solution to provide optimal service level and quality customer experience



Capital Cost Mitigation: Consider phased life cycle capital development cost from planning to pre-revenue and operation. Research best practice for capturing Pre-Revenue cost. Propose soft cost control policy, Metro staff vs. consultant ratio, design criteria review, alternative delivery methodology assessment, and fiscally responsible reporting.

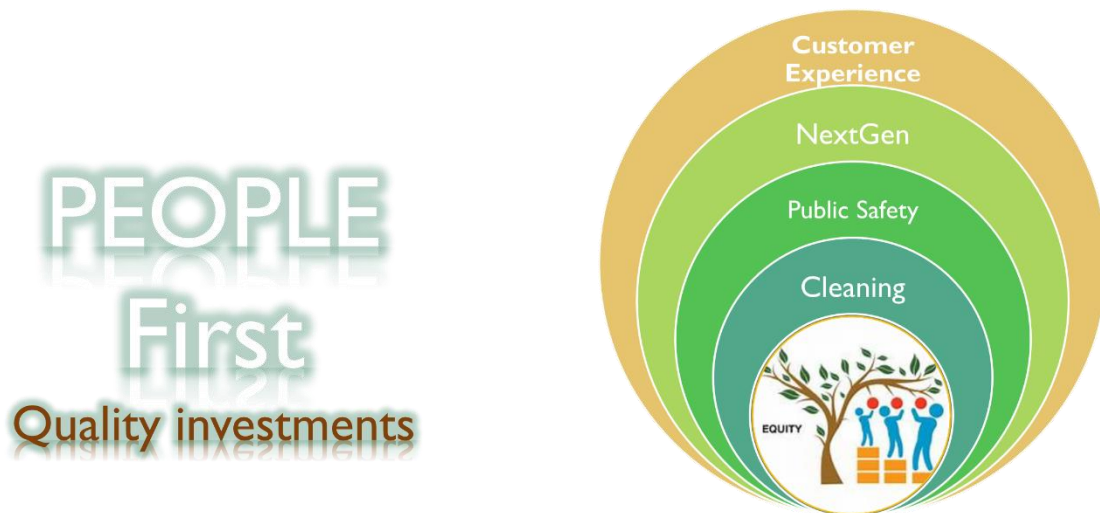


Evaluate and inform the board about schedule and affordability impact of any scope and cost increases while discussing the tradeoffs and mitigation strategies

People First: Quality Investments

Metro's most important core focus is valuing our people: our riders, our partners, our stakeholders, our employees, residents of, and visitors to Los Angeles County. By valuing our people, we continue to make the changes that improve the quality of our current service, investments that provide for future users, and enhance the customer experience. At the core of all our focus areas is equity - looking at everything we do through an equity lens. Equity is not a result; it is the ideal at the core of our Board's policies and drives the priorities that inform and shape this budget. Our early public engagement, including the entire leadership team interacting with listeners at our Telephone Town halls, the responses and comments to our on-line budget survey, and the regular feedback we continue to receive also played a role in this budget.

The FY23 Preliminary Budget includes various initiatives underway to improve customer experience. Under the umbrella of the Customer Experience Plan (CX Plan), programs involving every Metro department include Reimagining Public Safety, NextGen improvements to increase the efficiency and reliability of bus and rail transit, Enhanced Cleanliness programs, our LIFE program for low-income riders, and FSI student support program - our investment in the riders of the future. These initiatives are all built upon the results of our engagement with the public and are included in this budget to improve the quality of our service.



Equity

Transportation and mobility are the essential levers enabling access and improving quality of life for LA County. Metro recognizes that vast disparities exist in access to opportunities, including jobs, education, housing, community resources, friends and family – the basis of healthy communities. Metro is working to identify and implement projects and programs that seek to reduce, and ultimately eliminate disparities in access to opportunities. Through the Equitable Zero-Based Budget (EZBB) process an equity lens is applied to everything we do: starting at zero and building a fiscally responsible budget to serve as a driving force that recenters Metro to its core focuses.

The FY23 Preliminary Budget puts equity at the core of the decision making, guiding our development with the goal of improving mobility access for all in Los Angeles County. Metro's transformational change to Reimagine Public Safety and our renewed focus on the Customer Experience stems from listening to the public. Metro continues to engage the public directly and throughout the year working with our community-based organization (CBO) partners. By listening and learning, by focusing on what we hear and delivering on the promises we made to the voters of Los Angeles County; and improving our communications, Metro is committed to restoring confidence in the Metro system.

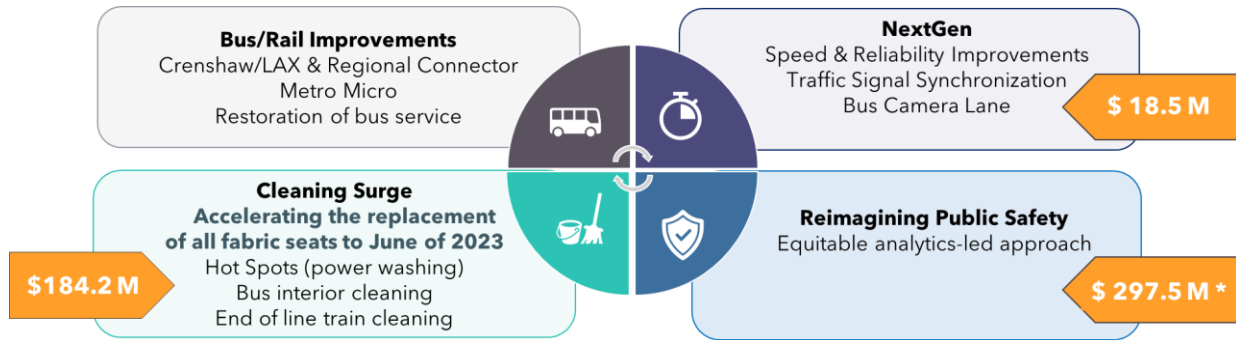
This year improving access, connectivity and system capacity is happening as we open Crenshaw/LAX (K Line) and Regional Connector, providing more mobility options to our equity-focused communities, including one seat service across the county that minimizes transfers and reduces the time impacts on riders. In addition, Metro Micro is a multi-year pilot program designed to augment ridership by giving a ride-hail option for customers when traveling in the lower density areas of the region.

Improving access does not stop at just transit options. Through development of the Room to Work program, Metro is helping unhoused individuals become job-ready, giving true access to jobs and economic mobility. Metro's continuing investment in the Transit school, providing disadvantaged youths Science, Technology, Engineering, and Mathematics (STEM)-based educational opportunities and developing the future leaders of the transportation industry. Metro is also improving access to economic opportunities, through multiple efforts that help small businesses.

All these investments demonstrate Metro's commitment to leading and partnering with others to create a more just society.

Customer Experience (CX)

Customer Experience is not just the CX Plan, but a combination of many efforts throughout Metro. The Customer Experience includes Bus and Rail Transit capacity and operational improvements, Cleaning Surges reflecting comments from the public, Reimagining Public Safety a transformational change across the nation with Metro playing a leading role in our industry, and a Customer Communications strategy that provides accurate and timely information. The CX Plan lays out specific initiatives to focus our priorities and improve the rider's experience.



With Customer Experience as one of Metro’s core focus points in the FY23 Preliminary Budget, the CX Plan takes an honest look at pain points and seeks to identify concrete solutions to address those concerns.

In addition to the recently completed CX survey, the budget comments received reflected concerns centered around reliability and frequency of bus service, rail service, cleanliness, and the perceived safety of the Metro transit system. For FY23, the CX Plan focuses on five areas for improvement:

- Cleanliness
- Public Safety
- Bus Stop Shade and Seating
- Customer Information
- Time Competitiveness and Connectivity

The FY23 Preliminary Budget reflects CX Plan initiatives that add to what we already do well, improve our existing practices, or change the way we do things to enhance the customer experience. A comprehensive report on the CX Plan can be found in Board Report #2021-0774. Many of the CX Plan initiatives are included within the Transit Operations and Maintenance budget.

Cleanliness

The CX Plan introduces a bold program proposal called the Cleaning Surge, that entails adding additional resources to reflect the cleanliness standards Metro customers expect. The FY23 Preliminary Budget includes \$184.2 million for all cleaning efforts, including 10 roving cleaning teams. Metro is also increasing the frequency of cleaning, expanding “in-line” and mid-day bus interior cleaning, “end-of-line” cleaning on rail, station hot spots, and expanded activities at Metro’s most traveled stations and terminals.

A recurring request we heard from our customers was to remove all fabric seats for vinyl seats throughout our system. Our original plan was to complete this by FY24, and we are accelerating this by one year to be completed in FY23.

The table below summarizes the FY23 Preliminary Cleaning Budget.

Area (\$ in millions)	FY22	FY23	Change	% Change	FY22	FY23	\$ Change	% Change
	FTE	FTE			Budget	Preliminary		
Buses	366	388	22	6%	\$ 0.6	\$ 1.1	\$ 0.4	71%
Trains	141	163	22	16%	0.2	0.3	0.2	114%
Facilities	110	110	-	0%	55.3	58.6	3.3	6%
Stations	206	216	10	5%	1.6	1.8	0.2	11%
Stops	23	23	-	0%	0.3	0.4	0.1	22%
Station Evaluation	-	2	2	100%	-	0.4	0.4	100%
Totals	846	902	56	7%	\$58.1	\$ 62.6	\$ 4.5	8%
Labor Costs					\$110.8	\$ 121.6	10.8	10%
Cleaning Budget					\$168.9	\$ 184.2	\$ 15.3	9%

Reimagine Public Safety

Improving public safety on our system is another common theme across all public comments. Metro responded with the establishment of the Public Safety Advisory Committee (PSAC) to work in partnership and develop a community-based approach to public safety on the transit system. The result is our competitive game plan for transformational change to public safety: the Reimagining Public Safety Framework that aligns operations to the needs of the public through intentional and equity-driven public safety initiatives.

The FY23 Preliminary Budget includes an estimated \$297.6 million, an increase of almost 13% over FY22, in public safety investments that include the Reimagine Public Safety initiatives. The table below details the investments:

Reimagine Public Safety	FY22	FY23	\$ Change	% Change
	Budget	Preliminary		
Accountability & Transparency	\$ 0.1	\$ 1.2	\$ 1.1	1137%
Communications & Public Education	0.2	0.4	0.2	147%
Resource Deployment	216.3	225.3	9.0	4%
Transit Ambassadors	20.0	40.0	20.0	100%
Homeless Outreach	10.7	15.3	4.6	43%
Security Design	13.4	10.4	(3.0)	-22%
Tools & Technology	3.0	4.1	1.1	38%
Training & Procedures	0.1	1.0	0.9	953%
Reimagine Public Safety Budget	\$ 263.7	\$ 297.6	\$ 33.9	12.9%

All Reimagine Public Safety initiatives are prioritized in the FY23 budget. The following are some key areas to highlight:

- Transit Ambassadors program is doubling
- Homeless Outreach, including mental health assistance growing almost 50%
- Addition of 15 Unarmed Security Officers
- Body Worn Video (BWV) for Metro Transit Security
- Call Points (Security Blue Light Call Boxes)

Homeless Outreach Initiatives

One layer in Metro's overall public safety involves refining Metro's homelessness outreach and engagement efforts. Like transit agencies across the nation, Metro faces a situation, largely out of our direct control, that impacts our system. The growth in the number of unhoused seeking shelter on our system, coupled with individuals experiencing cognitive crisis, serves as one of the top impediments to our ability to retain and grow discretionary ridership on the Metro system and significantly impacts the rider customer experience. Metro recognizes the growing need for homeless outreach and mental health resources to respond to individuals in need on our system and we continue to partner with the County's multidisciplinary homeless outreach teams.

The FY23 Preliminary Budget not only reflects our continued efforts and commitments in partnering with the County, but also includes additional new and expanded efforts. This year, Metro is developing a new program, Room to Work, where Metro partners with community-based organizations to connect unhoused individuals on our system to interim or permanent housing and supportive services. Further, Metro will then work with training and education providers to develop and administer a specialized-industry job training program. The program will offer temporary positions and provide the work experience necessary to help participants obtain permanent full-time positions, either at Metro or other employers.

The FY23 Preliminary Budget includes an estimated \$16.3 million for homelessness activities to commence, continue, and expand efforts. A comprehensive report on Reimagining Public Safety Framework can be found in Board Report #2022-0054 (February 2022).

NextGen Bus Plan

The intent of the NextGen Bus Plan is to reimagine the bus system by focusing on providing fast, frequent, reliable, and accessible service to meet the needs of customers. NextGen is a service component for Metro that helps restore high frequency service in Equity Focused Communities (EFCs) and ridership has already started to increase in EFCs due to its implementation. System speed is expected to increase significantly by partnering with cities and the County in the implementation of bus priority lanes and Transit Signal Priority (TSP) projects reducing wait time and increasing bus speeds for all operators in the county.

Other NextGen initiatives such as bus stop and layover improvements and all-door boarding will improve system speed by saving time for our riders, Bus speed improvements allow for expanded service levels and more frequent trips for customers within the same planned service hours. It also improves system reliability and customer experience.

NextGen Speed and Reliability projects are continuing in FY23 with a focus on Transit Signal Priority (TSP), Bus Priority Lanes, Bus Mobile Validators (BMV) for all door

boarding, and Cameras for Bus Lane Enforcement. For FY23, the Preliminary Budget for NextGen projects is \$18.5 million.

NextGen Speed & Reliability Budget	FY22 Budget	FY23 Preliminary	\$ Change
All Door Boarding	\$ 0.5	\$ 7.0	\$ 6.5
Bus Priority Lanes	3.0	4.7	1.7
Tactical Treatment & Service Enhancement Studies	2.1	2.9	0.8
Transit Signal Priority	2.0	2.0	0.0
Layover Optimization	0.1	1.2	1.1
Bus Stop Improvements	0.3	0.8	0.5
Total Proposed Budget	\$ 8.0	\$ 18.5	\$ 10.5

Our investments in All Door Boarding, include the installation of 2,900 Bus Mobile Validators, which will increase boarding speeds up to 2x faster, especially at busier stops, and reduce crowding at front door and bus operator areas. This along with the expanded transit signal priority, bus priority lanes and layover improvements will achieve travel time savings to reinvest into better service and improve the customer experience.

Fareless System Initiative (FSI) and LIFE Program

There were many different perspectives on transit fares shared by riders in the public comments received in relation to Metro's FY23 Preliminary Budget. Customer perspectives on the issue appear to be split, with comments ranging between advocating for a completely fareless transit system versus requests for increased fare enforcement to minimize security concerns of paying transit riders.

At the Regular Board Meeting on September 23, 2021, the Metro Board of Directors adopted the funding plan for the regional Fareless System Initiative (FSI). As a result, Metro launched the FSI pilot in the form of GoPass, a regional transit pass that allows K-12 and Community College students, attending participating schools, to ride on any participating transit operator, including Metro, without paying a fare. The cost sharing agreements under GoPass require annual payment from school districts of \$3 per student enrolled at K-12 schools and \$7 per student enrolled at Community Colleges.

Prior to the pandemic, K-12 fare revenues were about \$27 million annually. As of March 2022, there are 49 K-12 districts with signed or pending GoPass agreements, representing a net cost-sharing amount of approximately \$1 million for the first year of the pilot. In addition, there are 4 Community College districts with signed or pending agreements, representing a net cost-sharing amount of approximately \$2 million for the same period. The \$3 million total GoPass revenues for pilot year one will be split amongst participating transit agencies based on TAP data for actual GoPass boardings.

The FY23 Preliminary Budget includes the FSI – Student Go Pass program, which will be offset by the cost sharing agreements of up to \$3 million to be shared across the participating transit agencies and will be further offset by ARPA funding in FY23.

In addition, at its September 2021 Regular Board Meeting, the Metro Board adopted Board Motion 40 that seeks to expand and enhance the LIFE program, a regional program offering monthly pass discounts or 20 free trips per month to eligible low-income riders. The motion established a target of doubling program enrollment by December 2022 and directed Metro to develop and provide a free 90-day transit pass to new LIFE applicants as an incentive for joining the program. In over two years from the beginning of the LIFE program in 2019 until June 2021, there were 84,594 LIFE enrollments. Over the past 10 months, there were an additional 41,182 enrollments, a total increase of almost 50%.

As we approach the goal to double enrollment, it is clear that expanded outreach efforts and improvements made to ease enrollments have been successful, with LIFE ridership up 60% from pre-covid numbers despite the fact that overall ridership has not reached pre-pandemic levels. The FY23 Preliminary Budget reflects our commitment to doubling the enrollment by doubling the program budget, as well as additional efforts to ease enrollment, extensive program marketing and expanded efforts with community-based organizations, and the free 90-day pass incentive for new enrollees.

Metro continues to recognize the need for dedicated funding to support a safe, clean, and reliable transit system. As we approach the issue of fares through an equity lens, initiatives such as FSI and improvements to the LIFE program aim to provide crucial assistance to the populations most in need.

While fares are used to support transit operations, the one-time infusion of federal assistance through the American Recovery Plan Act (ARPA) provides FY23 relief funding as ridership gradually recovers towards pre-pandemic levels.

Metro Transit Program (Budget and Service Plan)

Metro Transit Program Budget

The FY23 preliminary budget estimate for Metro Transit program for bus, rail and Metro Micro is \$2.2 billion, an increase of 6.4% or \$131.7 million over FY22 budget. It includes funds to support delivering of 8.7 million RSHs to operate Bus, Rail and Metro Micro services.

Metro Transit (\$ in Millions)	FY22 Budget	FY23 Prelim	\$ Change	% Change	% of Total
1 Bus Total	\$1,239.1	\$1,300.7	\$ 61.5	5.0%	59.2%
2 Rail Total	627.2	746.0	118.9	19.0%	33.9%
3 Metro Micro (Microtransit)	39.1	37.9	(1.2)	-3.0%	1.7%
4 Operations & Maintenance Total	1,905.4	2,084.6	179.2	9.4%	94.8%
5 FTA Approved Overhead Allocations	161.7	114.2	(47.6)	-29.4%	5.2%
6 Grand Total	\$2,067.1	\$2,198.8	\$ 131.7	6.4%	100.0%
7 Cost per RSH					
8 Bus	\$ 201.1	\$ 201.5	\$ 0.5	0.2%	
9 Rail	\$ 558.4	\$ 556.4	\$ (2.0)	-0.4%	
10 Microtransit	\$ 178.4	\$ 139.7	\$ (38.8)	-21.7%	

Expenditures are based on operating-eligible funding for Metro Transit program to provide equitable, clean, safe, and reliable service for all customers. All profiled resources include allowances for additional staffing and other support to ensure delivery of increased service and addressing Customer Experience initiatives including cleaning, homeless outreach, transit ambassador program and to support fare capping, FSI, and LIFE programs as part of Metro's equity focus.

Metro Transit Bus Budget

Bus Metro Transit (\$ in Millions)	FY22 Budget	FY23 Prelim	\$ Change	% Change
1 Labor	\$ 900.5	\$ 918.7	\$ 18.2	2.0%
2 Parts & Supplies	74.3	84.8	10.5	14.1%
3 CNG	31.5	42.2	10.7	33.9%
4 Service Contracts	232.9	255.0	22.1	9.5%
5 Bus Total	1,239.1	1,300.7	61.5	5.0%
6 FTA Approved Overhead Allocation	156.7	128.0	(28.6)	-18.3%
7 Grand Total	\$1,395.8	\$1,428.7	\$ 32.9	2.4%
8 Bus Cost per RSH before FTA Allocations	\$ 178.5	\$ 183.5	\$ 5.0	2.8%
9 Bus Cost per RSH after FTA Allocations	\$ 201.1	\$ 201.5	\$ 0.5	0.2%

Metro Bus program consists of several enhancements in FY23 including service increase, NextGen service improvements, as well as cleaning and safety improvements as part of our Customer Experience initiatives. To deliver this service, the estimated budget is \$1,428.9 million which is \$32.9 million (2.4%) increase over FY22.

Labor Expenses

Included in budget is additional staffing deployment for cleaning buses, bus stops, and bus layover zones for an increase of \$18.2 million (2%) over FY22 budget. This estimate is subject to change based on the conclusion of collective bargaining agreement negotiations currently in progress with SMART union.

Non-Labor Expenses

Additional \$32.6 million funds are included for Parts and Supplies and Service Contracts to support increased service level and cleaning, preventive maintenance to assure service reliability, as well as funding for Homeless Outreach efforts. CNG fuel expense increase of 33.9% is primarily due to the CNG fuel market cost per therm increase caused by inventory availability, transportation cost as well as increased service.

In addition, NextGen bus improvement projects included in Capital Improvement Plan (CIP) such as Bus Mobile Validators for all door boarding and Transit Signal Priority projects improve system speed allowing more trips for the planned service hours, increasing service efficiency.

Cost per Revenue Service Hour

In FY23, with restoration of full service to 7.09 million RSH and, implementation of Customer Experience (CX) initiatives, such as enhanced cleaning and transformational security initiatives, cost per revenue service hour is tightly controlled with an increase (0.2%) in the preliminary cost per RSH to \$201.5/RSH from FY22.

Bus Metro Transit (\$ in Millions)	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Budget	FY23 Prelim
1 Cost per RSH	\$ 167	\$ 175	\$ 192	\$ 201	\$ 201.5
2 YOY % Change		4%	10%	5%	0.2%

Metro Transit Rail Budget

	Rail Metro Transit (\$ in Millions)	FY22 Budget	FY23 Prelim	\$ Change	% Change
1	Labor	\$ 312.7	\$ 364.8	\$ 52.1	16.7%
2	Parts & Supplies	19.5	28.5	9.0	46.1%
3	Propulsion Power	30.4	40.4	9.9	32.6%
4	Service Contracts	264.6	312.4	47.9	18.1%
5	Rail Total	627.2	746.0	118.9	19.0%
6	FTA Approved Overhead Allocation	5.1	(13.9)	(18.9)	-372.5%
7	Grand Total	\$ 632.3	\$ 732.2	\$ 99.9	15.8%
8	Rail Cost per RSH before FTA Allocations	\$ 558.4	\$ 556.4	\$ (2.0)	-0.4%
9	Rail Cost per RSH after FTA Allocations	\$ 562.9	\$ 546.0	\$ (16.9)	-3.0%

Metro Rail program also consists of several enhancements in FY23 including service increase, new rail expansions, and enhanced cleaning and safety improvements as part of our Customer Experience initiatives. To deliver this service, the estimated budget is \$732.2 million which is \$99.9 million (15.8%) increase over FY22.

Labor Expenses

Included in budget is additional staffing deployment for Cleaning Surge to provide extra mid-day rail car and station cleaning as well as focusing on public safety by expanding the transit ambassador program, homeless outreach programs, and other safety improvements. The labor cost increase to support these services is \$52.1 million (16.7%) over FY22. This estimate is subject to change based on the conclusion of collective bargaining agreement negotiations currently in progress with SMART union.

Non-Labor Expenses

To keep our new and existing fleets in excellent working condition, funds are added in Parts and Supplies for \$9 million (46%) for cleaning and corrective and preventative maintenance. Propulsion power expenses are increasing by \$9.9 million and Rail maintenance and cleaning contracts are increasing by \$18.6 million in conjunction with our new rail service and improved cleanliness initiatives. Additionally, \$17.9 million is included in the budget to support expanding the transit ambassador program, homeless outreach programs, and other safety programs.

Cost per Revenue Service Hour

As a result of EZBB cost control, expenses will increase at a lower rate than the service increases, resulting in a reduction (3%) to the cost per revenue service hour, down to \$546.

	Rail Metro Transit (\$ in Millions)	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Budget	FY23 Prelim
1	Cost per RSH	\$ 490	\$ 505	\$ 595	\$ 563	\$ 546
2	YOY % Change		3%	18%	-5%	-3%

Cost per revenue service for Metro Transit rail increased by 18% from FY20 to FY21, partly due to the pandemic related service reduction and preserving jobs. Service was reduced while labor cost, which is the main cost driver of operations and maintenance, remained at budgeted levels.

In FY22 service started ramping up to pre-COVID-19 levels, reducing the cost per revenue service hour. In FY23 service will increase 19.4% to 1.34 million RSH, and cost will increase 15.8% mainly due to rail expansions, and implementation of CX initiatives.

Metro Micro

Metro Micro is a multi-year pilot program designed to augment ridership by giving a ride-hail option for customers when traveling in the lower density areas of the region as intended by NextGen.

FY23 will see optimization of geography and span of service refinements for each of the eight service zones to ensure the program's resources are effectively placed to meet demand.

	Microtransit (\$ in Millions)	FY22 Budget	FY23 Prelim	\$ Change	% Change
1	Metro Labor	\$ 15.9	\$ 18.2	\$ 2.3	14.5%
2	RideCo Contract and Vehicle Lease	13.2	14.8	1.5	11.5%
3	Other Metro Operating Expenses	9.9	5.0	(5.0)	-50.1%
4	Grand Total	\$ 39.1	\$ 37.9	\$ (1.2)	-3.0%
5	Microtransit RSH	0.22	0.27	\$ 0.1	24.0%
6	Cost per RSH	\$ 178.4	\$ 139.7	\$ (38.8)	-21.7%

The Metro Micro preliminary budget is \$37.9 million and includes additional staffing and contract expenses for expansion of service by 24% to 271.4 thousand RSHs to accommodate the continued growth in ridership (estimated over 700 thousand in FY23) and reduce wait time for trips.

Other Metro operating expenses include adjusting the training expenses to be aligned with current experience in support of all deployment zones.

Service Plan**Service Hours**

The table below illustrates FY22 budget and FY23 preliminary service hour breakdown by mode and line:

Revenue Service Hours

	FY22 Budget	FY23 Preliminary	Change
Mode			
1 Bus			
2 Local & Rapid	6,214,887	6,360,171	145,284
3 J Line (Silver)	104,729	125,287	20,558
4 G Line (Orange)	104,921	104,921	-
5 Purchased Transportation	517,475	498,656	(18,819)
Microtransit	218,966	271,440	52,475
6 Subtotal Bus	7,160,978	7,360,475	199,497
7 Rail			
8 A Line (Blue)	212,528	447,224	234,697
9 C Line (Green) / K Line (Crenshaw/LAX)	119,097	157,215	38,117
10 L Line (Gold)	241,818	61,641	(180,177)
11 E Line (Expo)	193,403	318,474	125,071
12 B Line (Red) / D Line (Purple)	356,353	356,353	-
13 Subtotal Rail	1,123,199	1,340,907	217,708
14 Total Revenue Service Hours	8,284,176	8,701,382	417,206

Pre - Revenue Service Hours

	FY22 Budget	FY23 Preliminary	Change
Mode			
16 K Line (Crenshaw/LAX)	48,854	10,513	(38,341)
17 Regional Connector	67,660	22,798	(44,862)
18 Total Pre-Revenue Service Hours	116,514	33,311	(83,203)
19 Total Service Hours	8,400,691	8,734,693	334,002

Boardings

The table below illustrates FY22 budget and FY23 preliminary estimate on boardings breakdown by mode and line:

Boardings (000)

		FY22 Budget	FY23 Preliminary	Change
1	Bus			
2	Local & Rapid	182,178	233,467	51,289
3	J Line (Silver)	4,105	4,773	668
4	G Line (Orange)	5,013	6,215	1,202
5	Purchased Transportation	9,186	11,357	2,171
	Microtransit	290	713	423
6	Subtotal Bus	200,772	256,524	55,752
7	Rail			
8	A Line (Blue)	10,706	15,535	4,829
9	C Line (Green) / K Line (Crenshaw/LAX)	5,749	8,395	2,646
10	L Line (Gold)	9,480	3,397	(6,083)
11	E Line (Expo)	11,555	14,489	2,934
12	B Line (Red) / D Line (Purple)	26,343	28,971	2,628
13	Subtotal Rail	63,833	70,787	6,954
14	Total	264,605	327,312	62,707

Congestion Management , General Planning & Programming, and Oversight & Admin Programs

Congestion Management

	Congestion Management Program (\$ in millions)	FY22 Budget	FY23 Preliminary	\$ Change	% Change
1	Express Lanes	\$ 53.7	\$ 70.5	\$ 16.8	31.3%
2	Freeway Service Patrol	27.8	39.9	12.1	43.4%
3	Motorist Services	13.6	15.1	1.5	11.2%
4	Rideshare Services	9.3	11.6	2.3	25.1%
5	Grand Total	\$ 104.4	\$ 137.1	\$ 32.7	31.3%

The program consists of four major groups: ExpressLanes, Freeway Service Patrol (FSP), Motorist Services and Rideshare Services.

The Metro ExpressLanes provides drivers and transit riders with a fast, reliable, and high-quality alternative to freeway congestion on I-110 and I-10.

Freeway Service Patrol (FSP) mitigates congestion caused by incidents and assists motorists with disabled vehicles on Los Angeles County freeways.

Motorist Services includes 1) the Los Angeles County Service Authority for Freeway Emergency (LA SAFE). It operates the Kenneth Hahn Call Box Program and the Southern California 511 Traveler Information. 2) Regional Integration of Intelligent Transportation Systems (RIITS) is a regional program administered by Metro that promotes operational collaboration through the collection, compilation and sharing of intelligent transportation systems data and resources.

Rideshare Services includes Regional Shared Mobility, Transportation Demand Management, and Vanpool Incentives.

The overall FY23 Congestion Management Program Budget of \$137.1 million represents a \$32.7 million or 31.1% increase from the FY22 Budget.

- ExpressLanes: The \$16.8 million increase in budget is primarily attributed to the mandatory replacement of electronic transponders for all registered account holders.
- FSP: The \$12.1 million increase is due to the restoration of service to pre-COVID-19 levels and increased costs to fuel, labor, insurance, and the purchase price of Tow service vehicles.
- Motorist Services: The \$1.5 million increase from RIITS program is due to the increased need for data.
- Rideshare Services: The \$2.3 million increase is driven by the Board approved vanpool subsidy increase as well as increased operational costs for the rideshare program.

General Planning & Programming

The Planning and Programming Budget encompasses a wide range of activities that support the agency's goal of delivering improved mobility, sustainability, as well as financial and technical support to Metro's partners throughout LA County. Activities under this program include long-range and systemwide financial planning and grants management, new and enhanced transit infrastructure, various aspects of Metro's bike program, public-private partnership and unsolicited proposals, sustainability, joint development efforts and Union Station upgrades.

This year's budget development process primarily considers operational needs and resources, grant availability, developer funded nature of projects, activities required under federal or state regulatory bodies, and Board approved system connectivity studies or other mobility initiatives.

Some project highlights include the following:

<i>Active Transportation Bike</i> -	Bike Inventory Replenish (\$2M)
	Bike Share Program Operating/Maintenance (\$15.4M)
	Bike Hub/Lockers (\$1.1M)
	LA River Waterway System Bike Phase 2 Env. (\$8.9M)
	LA River Bike Path (\$11M)
<i>First Last Mile</i> -	FLM Planning Regional Connector & Aviation (\$1.9M)
	Street Safety Program (\$50K)
	Transit to Parks (\$100k)
<i>Sustainability</i> -	Sustainability Planning (\$1.8M)
	Sustainable Project Implementation (\$9.1M)
<i>System Connectivity</i> -	Centinela Grade Separation (\$7M)
	Multi-Modal Corridor Planning (\$3.1M)
	Rio Hondo & Vermont South Bay Feasibility Studies - (\$665K)
<i>Admin & Planning</i> -	I-710 Task Force (\$500k)
	Long Range Planning (\$9M)
<i>Financial Planning</i> -	Regional Grants Management (\$14M)
<i>Art & Design</i> -	Systemwide Signage Design (\$675K)
<i>Joint Development</i> -	Housing Lab Program/transit-oriented housing (\$516K)
<i>Parking</i> -	Universal Station mobility hub (\$2M)
	Parking facility refurbishments (\$2.1M)
<i>Property Maintenance</i> -	Union Station Management Services & Maintenance - (\$20.1M)
<i>Transit Oriented Comm.</i> -	Metro Training and Innovation Center (\$4.5M)
<i>Transit Court</i> -	Admin. Required by Code Title 6 (\$1.6M)
<i>Union Station Improve</i> -	Digital signage, ADA, Forecourt/Esplanade (\$7.5M)
<i>P3/Unsolicited Proposal</i> -	ZEB P3 Business Study, Mobility Wallet Pilot, Travel - Rewards, Non-Drive Alone Equity Incentives (\$7.5M)

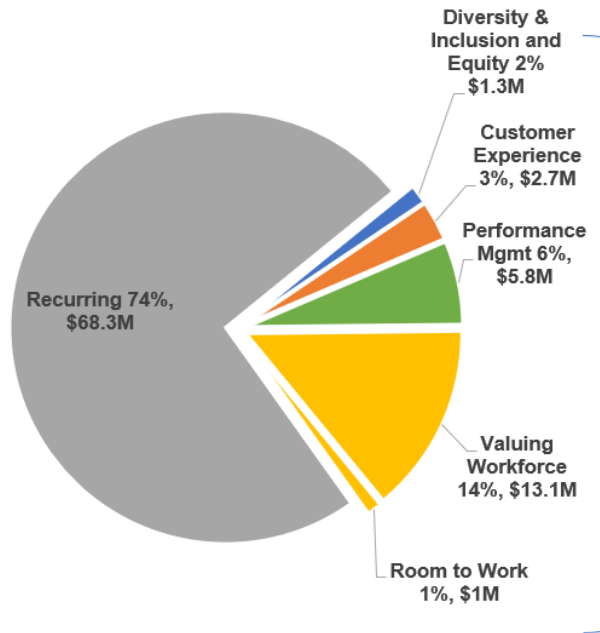
Note : M= millions, K = Thousands

The figure below is a budget summary of the Program.

General Planning & Programs (\$s in millions)		FY22	FY23	\$	%
		Budget	Prelim	Change	Change
1	Active Transportation, Bike, and Other	\$ 63.1	\$ 80.3	\$ 17.2	27.2%
2	Active Transportation incl Bike	\$ 26.5	\$ 41.9	\$ 15.4	57.9%
3	First Last Mile	1.9	2.6	0.7	35.1%
4	Sustainability	18.7	15.5	(3.3)	-17.5%
5	System Connectivity Program and Studies	15.9	20.4	4.4	27.8%
6	Financial, Grants Mgmt, and Administration	\$ 30.2	\$ 48.4	\$ 18.3	60.6%
7	Administrative and Planning Support	\$ 21.6	\$ 27.2	\$ 5.6	25.8%
8	Financial Planning and Grants Management	8.6	21.3	12.7	148.2%
9	Property Management	\$ 65.4	\$ 78.7	\$ 13.3	20.4%
10	Art and Design	\$ 1.5	\$ 1.6	\$ 0.1	7.7%
11	Joint Development	6.3	17.8	11.5	184.0%
12	Parking	11.6	11.4	(0.2)	-1.4%
13	Property Maintenance and Contract Mgmt	21.5	23.1	1.6	7.6%
14	TOC	10.2	9.9	(0.3)	-3.3%
15	Union Station	14.3	14.9	0.6	4.0%
16	Public Private Partnership (P3)/Unsolicited Proposals	\$ 5.9	\$ 7.6	\$ 1.6	27.9%
17	Transit Court	\$ 1.5	\$ 1.6	\$ 0.1	4.4%
18	Grand Total	\$ 166.1	\$ 216.6	\$ 50.5	30.4%

Oversight & Admin:

	FY22 Budget	FY23 Prelim	\$ Change	% Change
1 Oversight and Administration	\$69.8	\$80.1	\$10.3	14.7%



Graph excludes labor, benefits, and allocations

New Investments in Core Focuses

Customer Experience (Oversight Portion):

- Traffic Reduction Study \$2.7M
- CX Plan lays out 50+ initiatives that are included in the FY23 budget and mostly in the Metro Transit Program

Improved Performance Management:

- Infrastructure & Security Systems \$4.5M
- Cyber Security \$1M
- Insurance Programs \$262K

Diversity & Inclusion and Equity:

- Quality of Life Equity report \$634K
- Disparity Study \$550K
- Equity Information Hub \$100K
- CBO Partnering Strategy \$30K

Valuing Workforce:

- Business Licenses (Teleworking Environment) \$9.6M
- Transportation School (SEED LA) \$3.1M
- Room to Work \$1M
- Tunneling Apprenticeship \$400K

The FY23 Oversight and Administration budget is \$80.1 million. Making up only 0.9% of the FY23 Budget, this program reflects continuous cost control in conjunction with the EZBB process for recurring activities such as legal services, ethics compliance, internal investigations, regulatory environmental assessments, alongside legally mandated financial and compliance audits. Thus, allowing the agency to have 26% of this program’s budget go towards new investments in core focuses such as customer experience, improved performance management, valuing the workforce, diversity and inclusion as well as equity.

While the 50 plus initiatives in the CX plan are mainly located in the Metro Transit program, the Oversight and Admin program continues to enhance the customer experience by improving the speed of travel through the traffic reduction study. As part of improving performance management, there are continual efforts to mitigate risk through various strategies and improved data including cyber security and managing insurance programs.

Increased investments are planned to value the workforce at Metro. In FY23, Metro is launching Room to Work, a temporary job training program targeted toward the unhoused population on our system. Similar to the ELTP program, Room to Work will provide two-year, full-time positions that will give participants job experience while also improving system cleanliness. In addition, new recruitment and staff retention initiatives include tunneling apprenticeships to increase the construction workforce that will support Metro's infrastructure projects. Resources are also allocated towards ramping up bus operator recruitment, increasing business software licenses for a new hybrid teleworking environment, and advancing programs such as Transportation School (SEED LA) and WIN-LA that will create job opportunities for our local communities.

There are several efforts to address diversity and inclusion at Metro. The Procurement department will conduct a disparity study to implement race and gender-conscious remedies in public contracting. The Office of Civil Rights, Racial Equity and Inclusion department will continue to address these topics through Community-Based Organization (CBO) partnership strategies including a database to track relationships and a resource library; developing a centralized Equity Information Hub; conducting the Quality-of-Life Equity Report on the Agency's impacts to marginalized communities and vulnerable populations since Measure M; and holding Diversity and Inclusion events including those related to Heritage Months.

Early, Improved & Expanded Public Engagement Update

As an industry leader in equity, our CEO has helped lay the groundwork for more equitable outcomes as we incorporate the voices of our diverse community into the FY23 Budget. Per CEO direction, we began our public engagement early, and pursued it often. As restrictions were lifted and the economy opened, we resumed and expanded our public participation process. For the first time since the start of the pandemic, we were able to host three CEO Telephone Town Hall Meetings with more than 11,000 listeners in attendance.

Our expanded outreach has been very successful in engaging the public. Below are the results of our expanded outreach efforts.




Our expanded outreach has been very successful in engaging the public, resulting in over 8,000 responses to our budget survey (compared to 1,659 last year) and over 4,100 written comments (compared to 700 last year).

Our new budget portal at metrobudget.net was utilized as a method of distributing the survey results in conjunction with an email blast to direct the survey takers to the results page on the portal. For the FY23 process, we learned more about our riders and their priorities than we have any other year, specifically, bus and train service improvements, safety and security, and cleanliness. Special programs designed to address the priorities and concerns across Metro's operating areas were introduced, these are mentioned in the section above. Metro will continue to make every effort possible to extend opportunities to its constituents in all equity focused and underserved communities.

Schedules and information for public meetings and updated budget information will be provided in advance on the Finance and Budget portal at www.metrobudget.net.

We have also increased the number of our stakeholder outreach meetings in April and May followed by the budget Public Hearing and ending with the May 2022 Metro Board meeting, where FY23 Proposed Budget will be considered for adoption. Below are the list of meetings scheduled.

FY23 Proposed Budget Public Engagement			
Completed	Meeting	Date	Time
✓	Public Safety Advisory Council (PSAC)	Feb 2 nd	5:00-7:00 PM
✓	Regional Service Councils – Budget Briefing	Mar 3 rd	6:30 PM
✓	Policy Advisory Council (PAC) Note: PAC meets quarterly, requested follow-up scheduled at next quarterly meeting.	Mar 8 th	1:30 PM
✓	Telephone Town Hall Meeting	Mar 29 th	6:00-7:00 PM
	San Gabriel Valley COG (SGVCOG)	Apr 14 th	4:00 PM
	Bus Operators Subcommittee (BOS)	Apr 19 th	9:30 AM
	Street & Freeways Committee (S & F)	Apr 21 st	9:30 AM
	Regional Service Councils – Budget Briefing	Apr 26 th	6:30 – 8:00 PM
	Community Advisory Committee-General Assembly (CAC)	Apr 27 th	6:00 PM
	Technical Advisory Committee (TAC)	May 4 th	9:30 AM
	Public Safety Advisory Committee (PSAC) JUST ADDED	May 4 th	5:00-7:00 PM
	Valley Industry & Commerce Association (VICA) JUST ADDED	May 10 th	8:00 AM
	Local Transit Systems Subcommittee (LTSS)	May 11 th	1:30 – 3:00 PM
	Accessibility Advisory Committee (AAC)	May 12 th	10:00 AM
	San Gabriel Valley COG (SGVCOG) JUST ADDED	May 12 th	4:00 PM
	FY23 Proposed Budget - Public Hearing	May 18 th	1:30 PM
	Metro Board of Directors Meeting	May 26 th	9:00 AM



FY23 Equitable Zero-Based Budget (EZBB) Development Update

Finance, Budget & Audit Committee

April 20, 2022

**Operations, Safety, and Customer
Experience Committee**

April 21, 2022

SUMMARY OF REPORT

Financial Outlook and EZBB

- Exhaust the last Federal Stimulus Funding to date since COVID-19
- Apply EZBB to Operating cost control, capital Investment and alternative/new funding

Metro Transit Summary

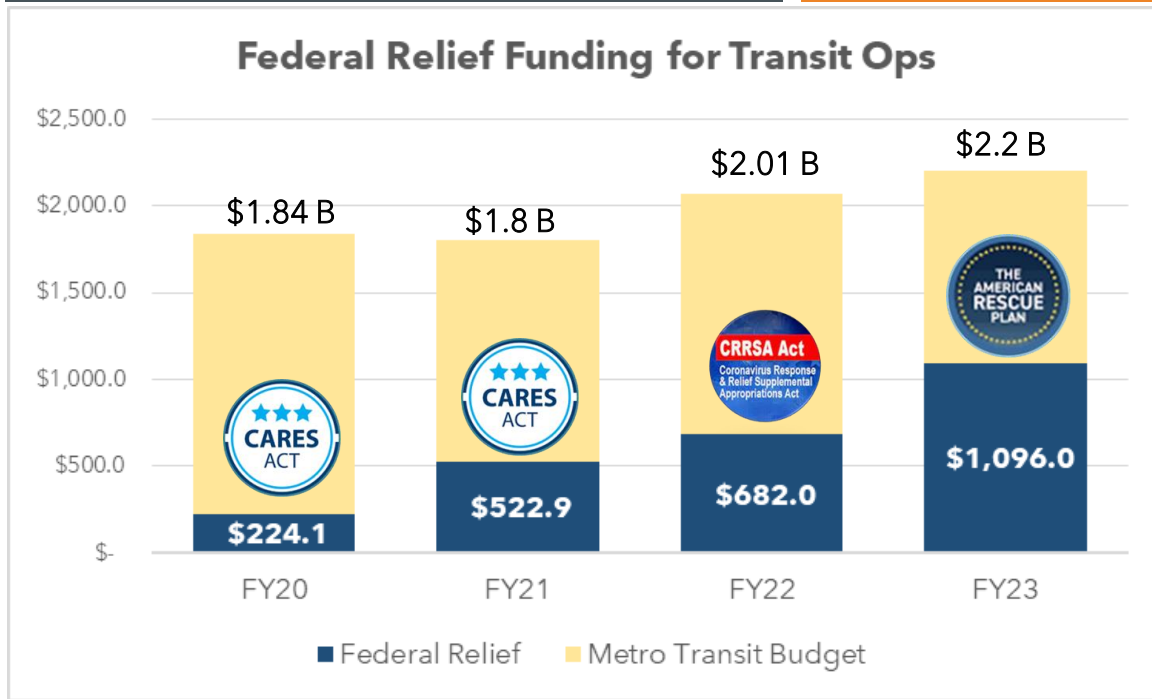
- Restore back to Pre-Pandemic Bus RSH
- New Crenshaw Phase I and Regional Connector Rail Service
- Boarding gradually comes back by year end
- FY23 Budget request

Expanded Outreach Result in People First Transit Investments

- Metro Transit Program Focus on people investment for Metro Transit Program
- Customer Experience elements
- FY23 budget focus on People First Customer Experience

Congestion Management, General Planning and Programing, Oversight/Adm And Next Step





- Transit industry, operators nation wide, faces financial challenges within the next 2 years when federal funding is exhausted
- Metro will deplete all federal funding in FY23. No more relief funding in FY24.
- Metro sales taxes and fare revenues will slowly recover, causing financial challenges in FY24 and FY25
- Metro EZBB is initial step in strengthening cost controls and identifying other mitigation strategies.

Bus & Rail Transit Operating Eligible

- One-time replacement of loss in fares, sales tax and other operating revenues
- Restoring bus and rail services
- Preserving jobs



FEDERAL RELIEF (ONE-TIME FUNDING)

Fare Revenues

Fiscal Year	Expected Fare Revenues*	Actual/Estimated Fare Revenues	Variance	Federal Stimulus Backfill for Loss
FY19	\$302M	\$260M	(\$42M)	
FY20	\$285M	\$181M	(\$104M)	CARES
FY21	\$270M	\$20M	(\$250M)	CARES
FY22	\$257M	\$60M	(\$197M)	CRRSA
FY23	\$244M	\$106M-166M **	(\$78M-\$138M)	ARPA
Total Backfill from Stimulus			(\$629M - \$689M)	

* FY19 & FY20 are Adopted Budget. FY21 - FY23 are estimated at a 5% reduction from PY budget, based on historical trends.

** FY23 estimate is a range based on fare collection data through pandemic and includes:

- Transit operations FY23 ridership estimates, including opening of new rail lines
- Impacts of 50% pass promotion (based on actual sales in Feb 2022)
- Impacts of LIFE program changes (based on free 90-day pass usage in Feb 2022)
- Impacts of FSI pilot program based on data through March 15, 2022

- One-Time Federal Relief Funding (CARES, CRRSA, ARPA) **supplants loss in fares of up to \$689M** throughout pandemic (FY20-FY23)
- Remaining Federal Relief Funding used for transit operations
- FY23 Budget will assume \$106M for fare revenues

CEO Directive: Apply EZBB to Operating Cost Control and Capital Investment



Establish Task Forces comprised of multi-departmental leadership level staff to evaluate and address key near-term challenges



Bus Cost and Rail Cost: Review cost allocation approach; breaking down controllable direct and indirect cost items. Explore Bus and Rail cost reduction opportunities at itemized detailed levels and proposing updated plans.



Optimal Service Design: explore solution to provide optimal service, in addition to service level, to improve speed and reliability, adding more miles to each hour of revenue service. Advancing the quality of customer experience.



Capital Cost Mitigation: Consider phased life cycle capital development cost from planning to pre-revenue and operation. Research best practice for capturing Pre-Revenue cost. Propose soft cost control policy, Metro staff vs. consultant ratio, design criteria review, alternative delivery methodology assessment, and fiscally responsible reporting.



Evaluate and inform the board any schedule and affordability impact of scope and cost increases while discussing the tradeoffs and mitigation strategies



Metro

Revenue Service Hours

Bus Service Hours

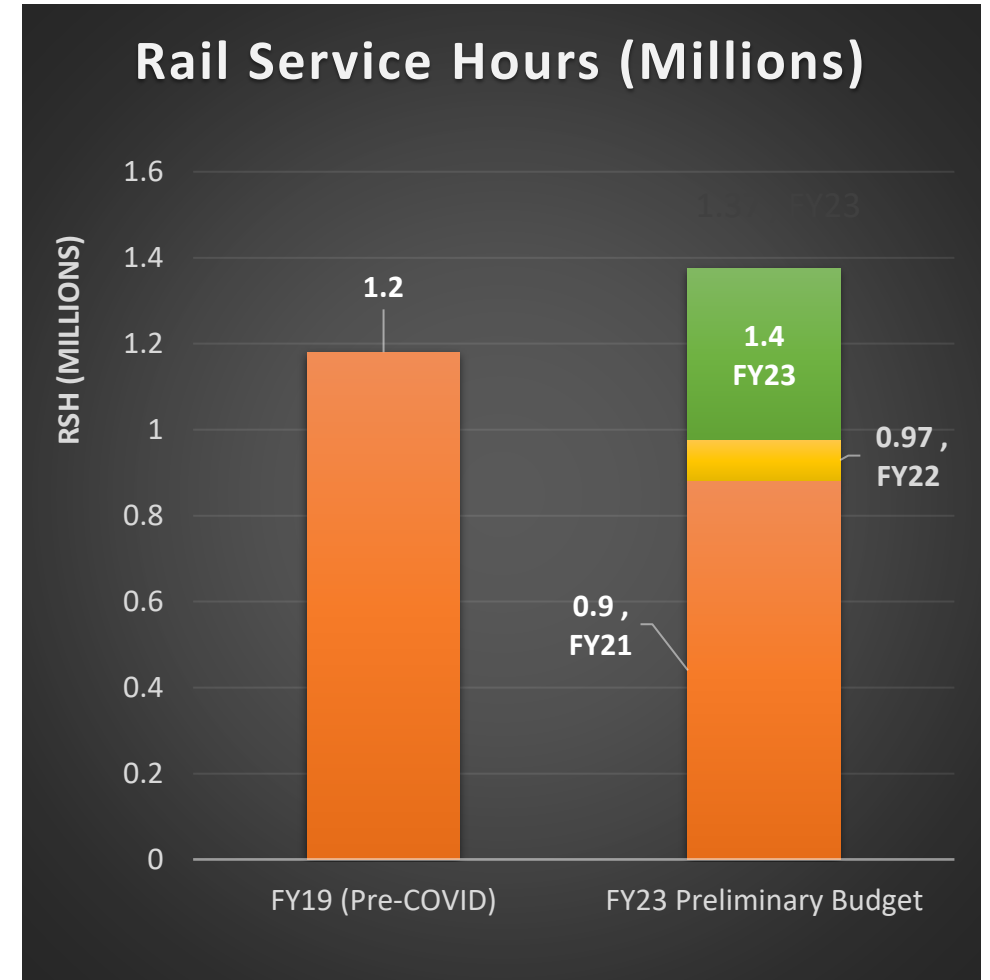
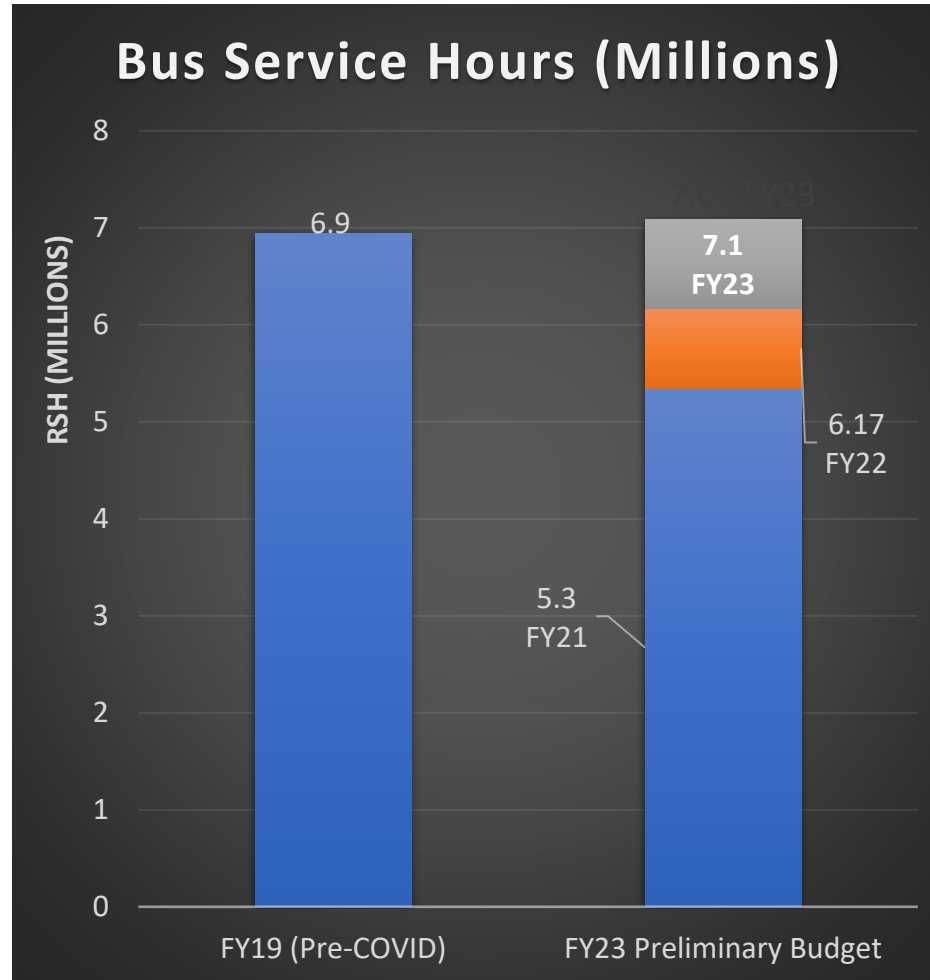
- Restoring Bus service to pre-COVID-19 levels of 7 million RSH, a 2.1% increase from FY22 Budget

Rail Service Hours

- New Rail Line extensions:
 - Crenshaw/LAX (K Line)
 - Regional Connector
 - Total of 19.4% service increase

Headways

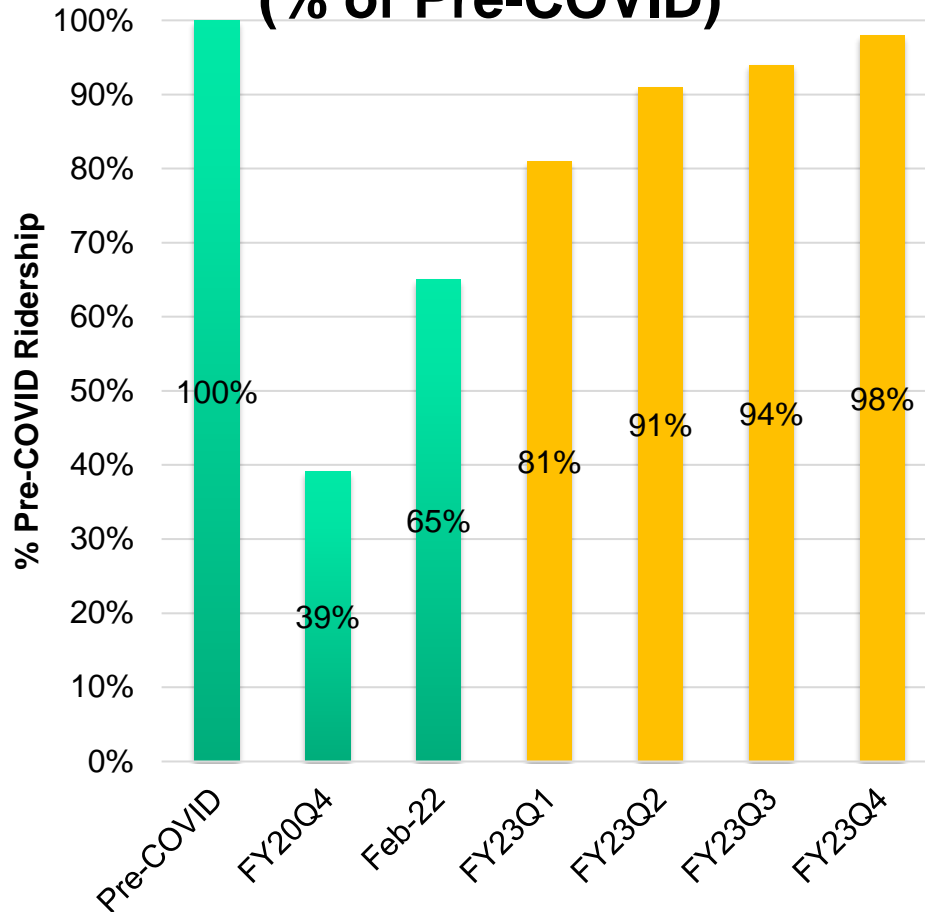
Planned to improve from 8 mins to 6 mins for Light Rail after Q2



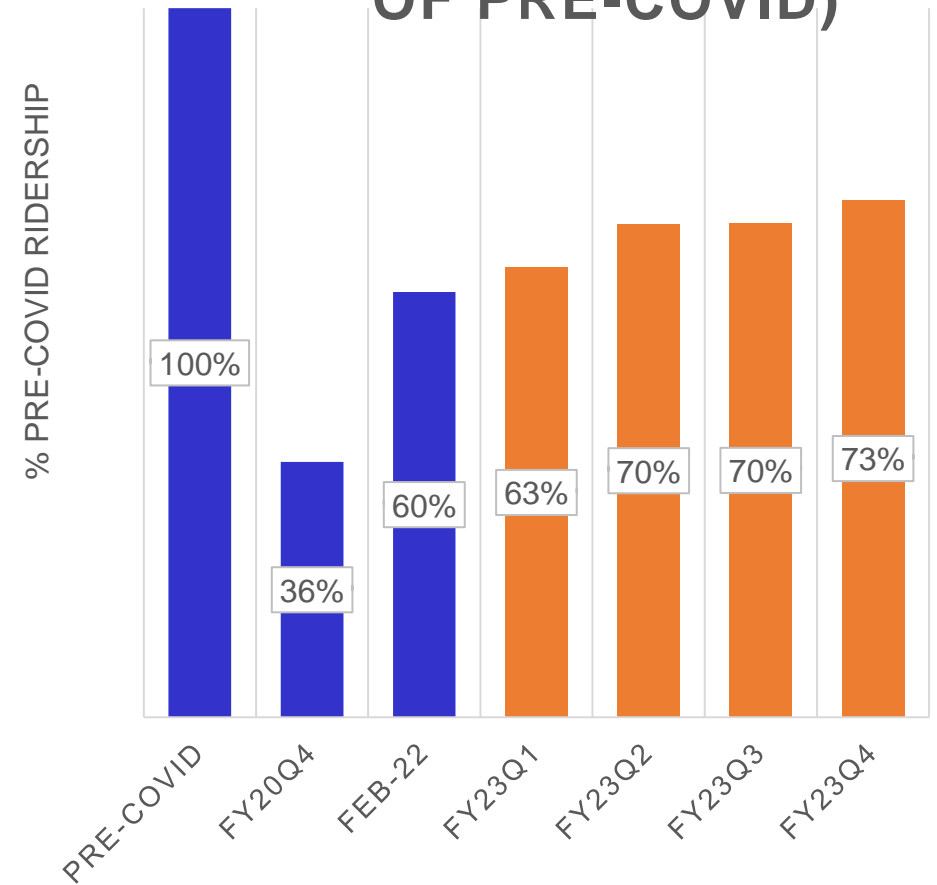
Boardings

- **Boardings** for FY23 are Projected at 326.6M. This is a 25% increase over the FY22 Year end estimate.
- Boardings by FY23Q4,
 - for **Bus** will be 98% of Pre-COVID
 - for **Rail** will be 73% of Pre-COVID
- Ridership Improvement due to:
 - NextGen
 - New Rail Extensions/Easier connectivity
 - CX improvements
- Phase 1 FSI to date attracted 20% more student rides

Bus Boardings (% of Pre-COVID)



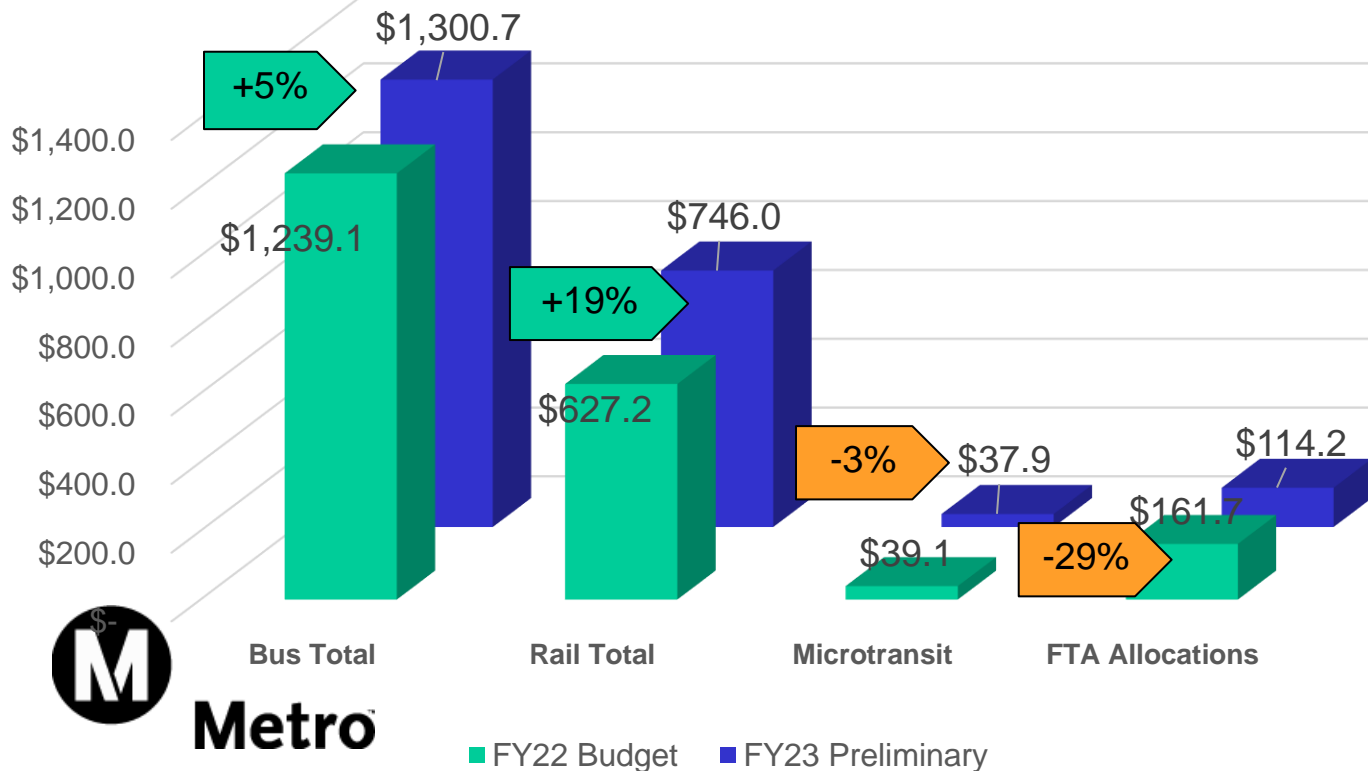
RAIL BOARDINGS (% OF PRE-COVID)



Metro Transit Operation FY23 Preliminary Request

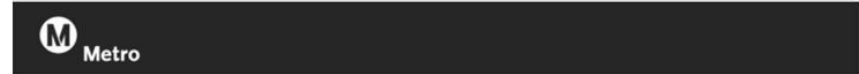
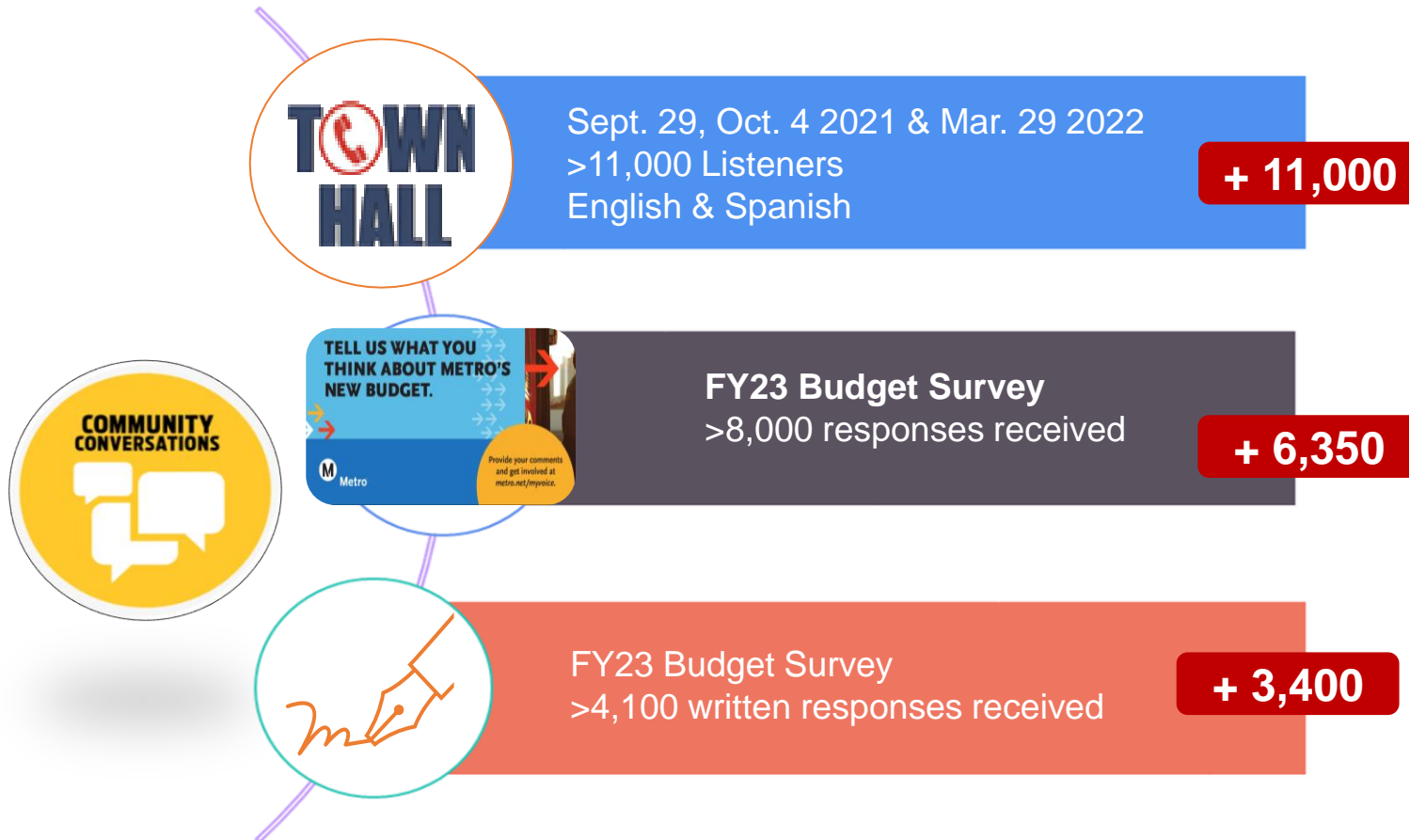
Metro Transit (\$ in Millions)	FY22 Budget	FY23 Prelim	\$ Change	% Change	% of Total
1 Bus Total	\$1,239.1	\$1,300.7	\$ 61.5	5.0%	59.2%
2 Rail Total	627.2	746.0	118.9	19.0%	33.9%
3 Metro Micro (Microtransit)	39.1	37.9	(1.2)	-3.0%	1.7%
4 Metro Transit Total	1,905.4	2,084.6	179.2	9.4%	94.8%
5 FTA Approved Overhead Allocations	161.7	114.2	(47.6)	-29.4%	5.2%
6 Grand Total	\$2,067.1	\$2,198.8	\$ 131.7	6.4%	100.0%

- Metro Transit Budget proposes restoring Bus and Rail Service to Pre-Pandemic level
- Will operate new Crenshaw/LAX Phase 1 and Regional Connector rail line services
- Budget also includes additional cleaning routine, Reimaging Public Safety with extra Homeless Outreach and Transit Ambassador



- Metro Micro continues 8 zones of operations with increases in Labor, RideCo Contract and Vehicle Lease
- Focuses on building ridership, workforce retention, and performance management
 - Adjustment of Training Budget to be aligned with actual experiences to date
- Does not include pending SMART contract negotiation result

Early and Expanded Public Engagement



LACMTA / LA Metro Budget Portal

Welcome to the Los Angeles County Metropolitan Transportation Authority (LACMTA) Budget portal – LA Metro Budget Portal. This portal provides financial and budget information for and on behalf of LACMTA (Metro) for riders, Metro's stakeholders, and the general public to learn all things budget related. The information on this website will be continuously updated as new information becomes available.



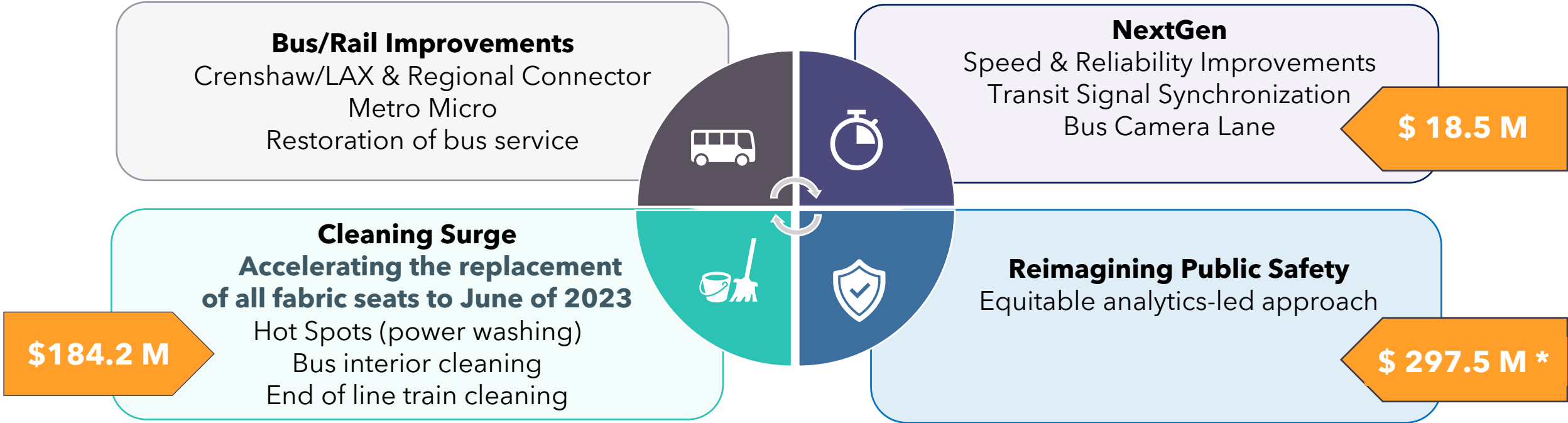
WE HEARD: FROM SURVEY RESULTS TO BUDGET ACTIONS



Restoring bus service



Customer Experience



* Some initiatives are included in multiple department budgets and may not be reflected in the estimated amounts, as they are being done within existing resources..



Area (\$ in millions)	FY22	FY23	Change	% Change	FY22	FY23	\$ Change	% Change
	FTE	FTE			Budget	Preliminary		
Buses	366	388	22	6%	\$ 0.6	\$ 1.1	\$ 0.4	71%
Trains	141	163	22	16%	0.2	0.3	0.2	114%
Facilities	110	110	-	0%	55.3	58.6	3.3	6%
Stations	206	216	10	5%	1.6	1.8	0.2	11%
Stops	23	23	-	0%	0.3	0.4	0.1	22%
Station Evaluation	-	2	2	100%	-	0.4	0.4	100%
Totals	846	902	56	7%	\$ 58.1	\$ 62.6	\$ 4.5	8%
				Labor Costs	\$ 110.8	\$ 121.6	10.8	10%
				Cleaning Budget	\$ 168.9	\$ 184.2	\$ 15.3	9%

Accelerate completion of vinyl seat replacement by June 2023



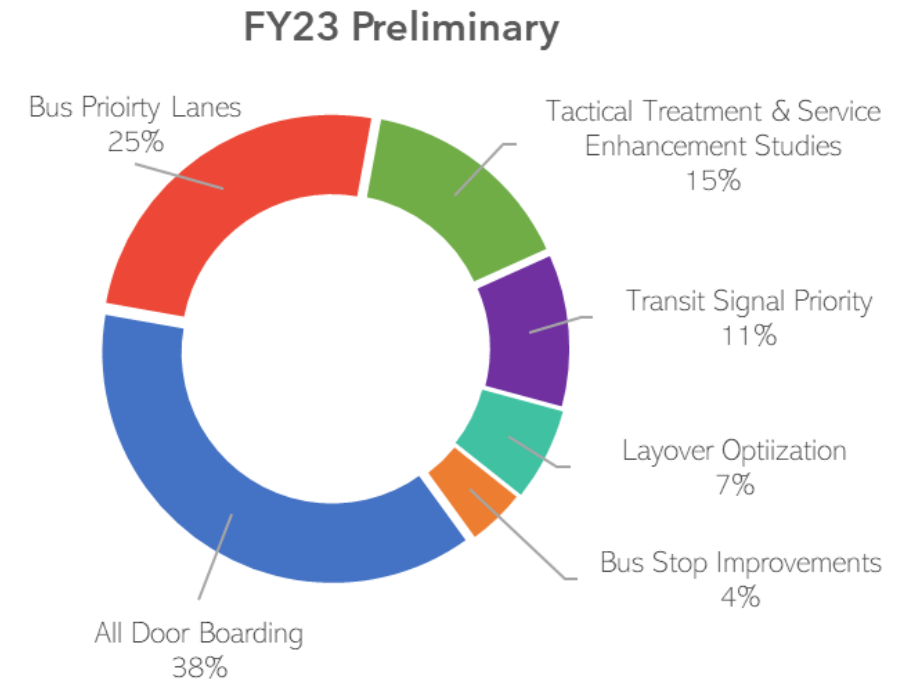
- **Bus:** Daily Division cleaning, continue Terminal 17 (Maple Lot) and 28 (18th St) expand terminal cleaning to 7-days/wk and rotation to more terminals
- **Rail:** Daily Division cleaning, continue end-of-line (EOL) cleaning, + 25 new service attendants for EOL and in-line cleaning, increase cleaning surge 7-days/wk
- **Stations:** Rail custodial staff at 13 Hot Spots (all 3 shifts providing round the clock service: Union Station, Pershing Square, 7th/Metro, Civic, Westlake, Wilshire/Vermont, Hollywood/Vine, Hollywood/Highland, Universal North Hollywood, Willowbrook/Rosa Parks, Aviation/LAX, Pico)
- **Facilities:** \$48.4M in facility contract services (e.g. graffiti control & abatement, pest/bird control, weed control, power sweeping, trash and vegetation removal)
- **Station Evaluation:** Continue program with new scoring system



CLEANING OVERVIEW

NextGen Speed & Reliability Budget	FY22 Budget	FY23 Preliminary	\$ Change	% Change
All Door Boarding	\$ 0.5	\$ 7.0	\$ 6.5	1300%
Bus Priority Lanes	3.0	4.7	1.7	55%
Tactical Treatment & Service Enhancement Studies	2.1	2.9	0.8	36%
Transit Signal Priority	2.0	2.0	0.0	1%
Layover Optimization	0.1	1.2	1.1	1100%
Bus Stop Improvements	0.3	0.8	0.5	167%
Total Proposed Budget	\$ 8.0	\$ 18.5	\$ 10.5	132%

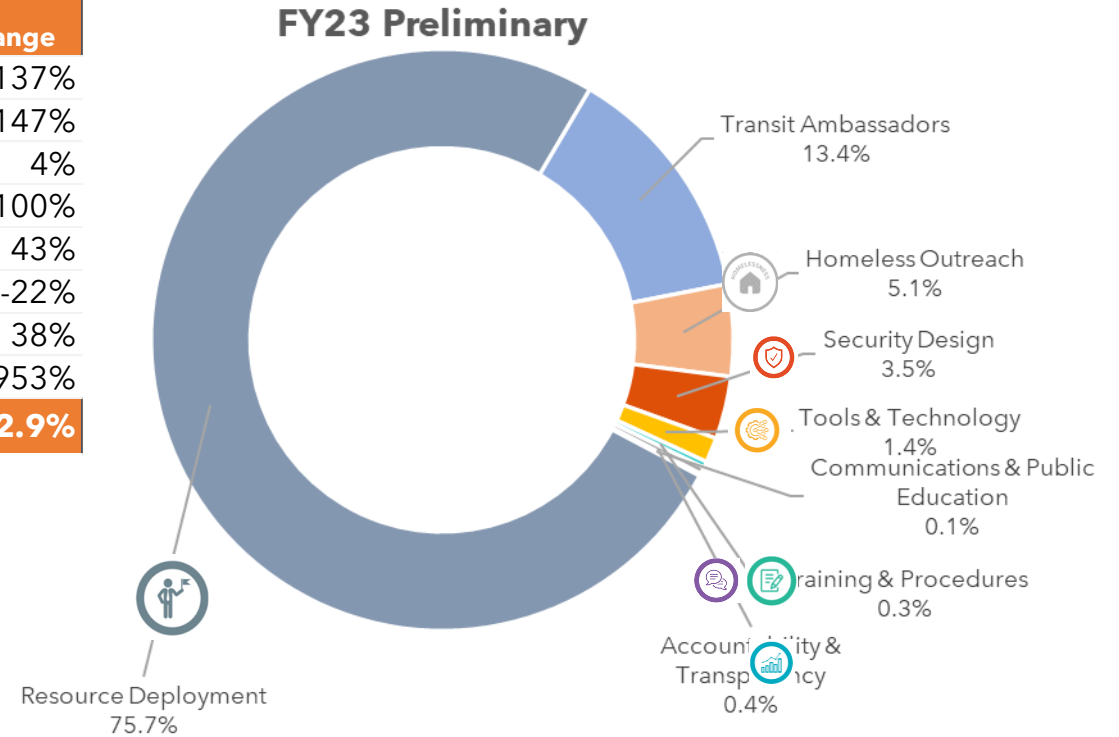
- Accelerates transit improvements with laser focus, resolves core issues and builds trust with partner agencies
- Force multiplier that improves customer experience (CX) and operator conditions, with operational savings reinvested into better service
- Boarding speeds up to 2X faster than front door only, especially at busier bus stops



NEXTGEN SPEED & RELIABILITY

Reimagine Public Safety	FY22 Budget	FY23 Preliminary	\$ Change	% Change
Accountability & Transparency	\$ 0.1	\$ 1.2	\$ 1.1	1137%
Communications & Public Education	0.2	0.4	0.2	147%
Resource Deployment	216.3	225.3	9.0	4%
Transit Ambassadors	20.0	40.0	20.0	100%
Homeless Outreach	10.7	15.3	4.6	43%
Security Design	13.4	10.4	(3.0)	-22%
Tools & Technology	3.0	4.1	1.1	38%
Training & Procedures	0.1	1.0	0.9	953%
Reimagine Public Safety Budget	\$ 263.7	\$ 297.6	\$ 33.9	12.9%

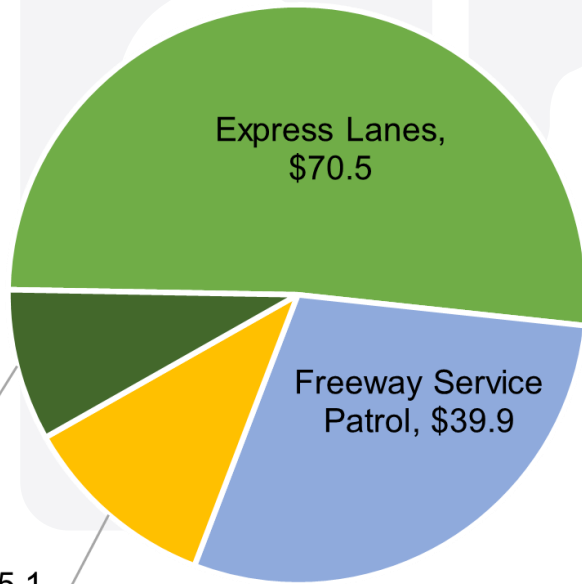
- All initiatives from Reimagining Public Safety are prioritized in FY23 Budget
- Transit Ambassadors program is doubling
- Homeless Outreach, including mental health assistance, is growing almost 50%
- Adding 15 Unarmed Security Officers



REIMAGINE PUBLIC SAFETY

Congestion Management

FY23 proposed Congestion Management Program budget of \$137.1 million represents increase of \$32.7 million or 31.3%



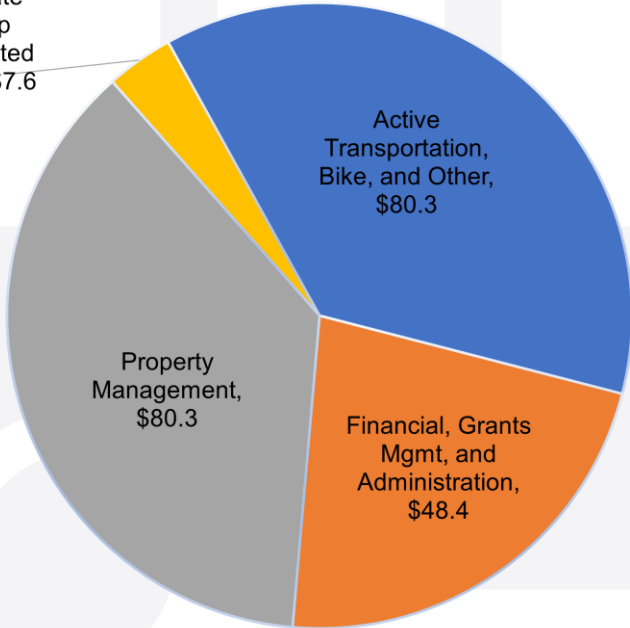
Congestion Management Program (\$ in Millions)		FY22 Budget	FY23 Preliminary	\$ Change	% Change
1	Express Lanes	\$ 53.7	\$ 70.5	\$ 16.8	31.3%
2	Freeway Service Patrol	27.8	39.9	12.1	43.4%
3	Motorist Services	13.6	15.1	1.5	11.2%
4	Rideshare Services	9.3	11.6	2.3	25.1%
5	Grand Total	\$ 104.4	\$ 137.1	\$ 32.7	31.3%

Major changes in budget:

- **Express Lanes:** Mandatory replacement of electronic transponders for account holders
- **Freeway Service Patrol:** Restoration of service to pre-COVID levels & increased costs to fuel, labor, insurance, & purchase price of tow service vehicles
- **Motorist Services:** Increase cost for Regional Integration of Intelligent Transportation Systems (RIITS) due to new data & licenses (Cambridge Location Based data that supports NextGen)
- **Rideshare Services:** Increase in Board-approved vanpool subsidy, general rideshare program operations, & new initiatives for non-work trips (recreational trips, tourism, emergency, etc.)

General Planning and Programming

Public Private Partnership (P3)/Unsolicited Proposals, \$7.6



Based on:

- Operational, grant, developer funding
- Federal & state requirements
- Board approved studies
- Other mobility initiatives

FY23 PROJECT HIGHLIGHTS

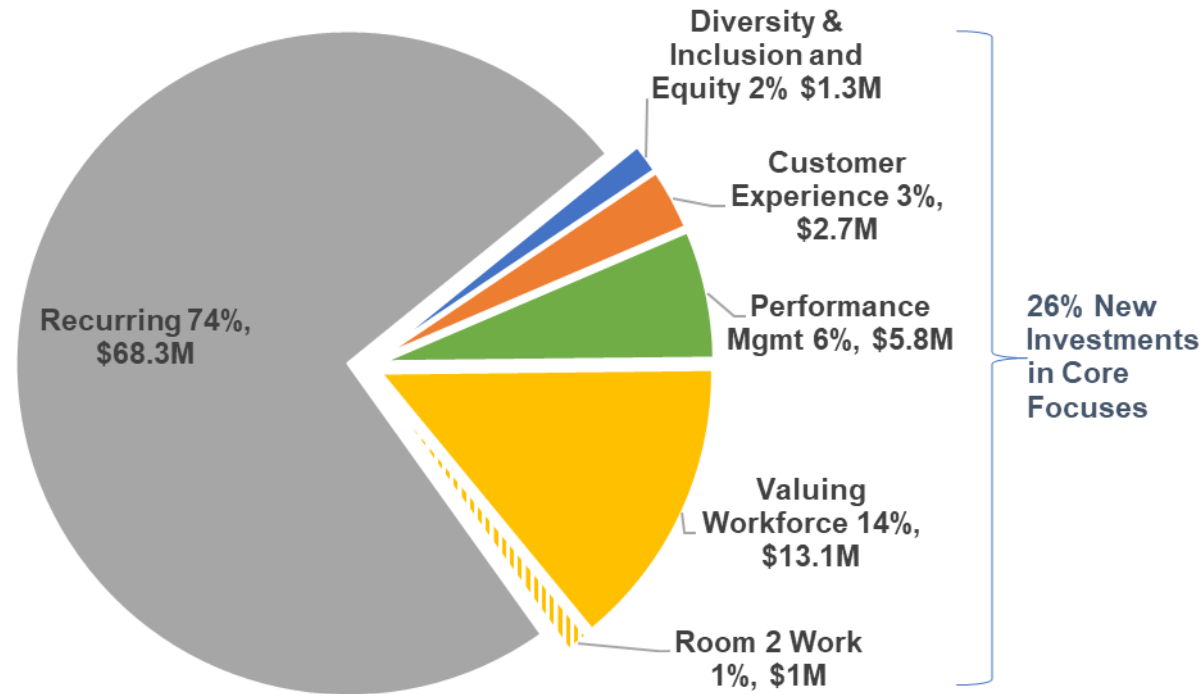
- Proposed 30% increase from FY22
- Upgrade bike locker to electronic format system-wide (\$1.1M)
- LA River Waterway & System Bike Path environmental/design (\$8.9M)
- Complete LA River Bike Path (San Fernando Valley/LA) (\$11M)
- FLM Plans for Regional Connector (\$1.9M), Street Safety Programs (\$50K), Transit to Parks (\$100K)
- System Connectivity Projects:
 - Centinela Grade Separation engineering /design (\$7M)
 - Multi-modal corridor program studies (\$3.1M)
- Metro Training & Innovation Center (\$4.5M)
- Activate Mobility Hub at Universal/Studio City Station (\$2M)
- Union Station capital improvement projects:
 - Digital signage upgrades from static information (\$6M)
 - Waterproofing & drainage repair (\$1.9M)
 - Plumbing system upgrades (\$2M)
- Unsolicited proposals: Zero Emission Bus & Non Drive-Along Equity Incentive (\$7.6M)

* A more detailed list of expenses is included in appendix

General Planning and Programming	FY22 Budget	FY23 Preliminary	\$ Change	% Change
1 ATP, Bike, and Other	63.1	80.3	17.2	27.2%
2 Financial, Grants Mgmt, and Administration	\$ 30.2	\$ 48.4	\$ 18.3	60.6%
3 Property Management	66.9	80.3	13.3	20.4%
4 Unsolicited Proposals	5.9	7.6	1.6	27.9%
5 Grand Total (In millions)	\$ 166.1	\$ 216.6	\$ 50.5	30.4%

Oversight and Administration

New Investments In Core Focuses



Graph excludes labor, benefits, and allocations

Customer Experience (Oversight Portion):

- Traffic Reduction Study \$2.7M
- CX Plan lays out 50+ initiatives that are included in the FY23 budget and mostly in the Metro Transit Program

Improved Performance Management:

- Infrastructure & Security Systems \$4.5M
- Cyber Security \$1M
- Insurance Programs \$262K

Diversity & Inclusion and Equity:

- Quality of Life Equity report \$634K
- Disparity Study \$550K
- Equity Information Hub \$100K
- CBO Partnering Strategy \$30K

Valuing Workforce:

- Business Licenses (Teleworking Environment) \$9.6M
- Transportation School (SEED LA) \$3.1M
- Room to Work \$1M
- Tunneling Apprenticeship \$400K

- Oversight and Administration budget is \$80.1 million, <1% of FY23 Budget
- EZBB & cost controls reflected in recurring activities (hardware & software licensing, legal services, leases & rentals, legal requirements, Accessibility, Title VI & VII, legally mandated audits)
- 26% are new investment in valuing the workforce, diversity, equity & inclusion, customer experience, improved performance management

- Continue Stakeholder Outreach events
- May 2022:
 - FY23 Proposed Budget document available on May 3, 2022
 - Public Hearing on May 18, 2022
 - Planned Board Adoption on May 26, 2022 (legally required before start of fiscal year)



NEXT STEP

