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Authority
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FINANCE, BUDGET, AND AUDIT COMMITTEE
MARCH 15, 2023

SUBJECT: FISCAL YEAR 2024 BUDGET DEVELOPMENT STATUS UPDATE

ACTION: RECEIVE AND FILE

RECOMMENDATION

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

ISSUE

This is the third of a series of monthly updates to the Board on the FY24 Budget development process, culminating in a planned May 2023 Board Adoption. This report lays the framework for the annual budget development, with the primary objective for the annual budget to advance Metro's transit and transportation goals, with an equity lens, in a fiscally sound and financially responsible manner.

This report focuses on Metro's diverse portfolio of major infrastructure capital projects, including Transit Infrastructure Development (TID), Highway Multimodal Development, and Regional Rail. Additionally, this report provides an overview of Metro's voter approved Regional Allocation and Pass Throughs (Subsidy) funding programs.

This report also discusses the mitigation options to be considered for managing through the near-term financial challenges for the major infrastructure capital projects and shares the latest update regarding Metro's comprehensive budget outreach efforts.

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.

DISCUSSION

Major Infrastructure Capital, Near-Term Financial Challenges

Metro recognizes the importance of sound financial planning to successfully implement transit capital investments and operating plans. The overall operating deficit also referred to as the 'fiscal cliff,' and the challenges of major infrastructure capital projects, are two distinct concerns impacting Metro. In this report, we will be discussing the challenges regarding major infrastructure capital projects. The operating deficit will be presented in next month's report.

Metro recognizes the additional financial risks stemming from Transportation Infrastructure Development (TID) as we continue to build out the ordinance approved major construction projects. While the cashflow required in the next three-year near term is not at risk, Metro needs to be mindful of the total project costs and potential funding gaps faced by each project over the next ten years and beyond so as to not be obligated to a project delivery ahead of the funding plan. Currently, Measure R and M total receipts are below their ordinance projections. Although Metro continues to compete for capital investment grants, not all of Metro's projects are awarded funding. Grants awarded to Metro often include significant operational and local match funding requirements placed in the legal framework for the funding agreement. Additional debt issuance is projected from FY24 to FY26 to cover shortfalls in certain programs; however, new debt issuance will only be used as a last resort as it is subject to Board established maximum bonding capacity policy and potentially means reduced future funding availability for other transit needs.

Other common capital project management issues include higher bid prices and cost increases due to a tighter labor market and rising demand for goods with previous supply chain constraints. Capital projects are also impacted by fiscal challenges that may increase total project cost at completion. Project cost overruns with no new or dedicated funding will continue to take away funding currently available for transit. These combined challenges in capital infrastructure, along with the stressors in the operating budget deficit, have contributed to the Agency's overall financial outlook.

Major Infrastructure Capital, EZBB Cost Control

Metro is enacting cost controls through the Equitable Zero-Based Budgeting (EZBB) process by establishing the Early Intervention Team and other program management efforts.

At Board's direction, the CEO formed the Early Intervention Team (EIT), which is set up to draw on the collective experiences of cross department collaboration to review and assess cost and schedule drivers, potential corresponding mitigation strategies currently in practice at Metro, as well as new mitigation strategies needed across the full life cycle of projects, from planning through construction and finally into operations and maintenance. Regular updates are being provided to the board on the status and progress of these efforts.

Metro is actively evaluating the appropriate consultant to staff ratio that can build up in-house knowledge. Metro is also strategically embedding seasoned project management and controls staff onto new major projects as other projects are exiting the construction phase and moving on to the operational phase. There is also ongoing project soft cost monitoring and reporting.

Major Infrastructure Capital, Near-Term Mitigation Strategies for Consideration

Below are some other mitigation strategies to help address the challenges described above.

Transit Infrastructure Development:

- Project Timeline: Deliberate board review at each major project milestone; assess the cost/benefit of changing project schedules as necessary while remaining within sequence per ordinance.
- Project Scope: Avoid adding additional components beyond the original project scope to remain within budget.
- Operational Impact: Plan and incorporate the cost implications of system integration due to an expanding system.
- Business Interruption Fund (BIF): Advocate for BIF funds to be eligible to match and/or be eligible for reimbursement of state and federal funds.

Highway Multimodal Development:

- Strategic Partnership with Caltrans: Work with Caltrans to explore efficiencies to deliver the highway projects based upon core competencies.

Regional Rail:

- Metrolink Operating Plan: Align service level goals to ridership demand with a financially sustainable operating framework to mitigate the structural deficit in eligible funding sources Metro utilizes to finance Metrolink operations.

Major Infrastructure Capital Investment FY24 Preliminary Budget

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

1. Transit Infrastructure Development (TID): The FY24 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. In FY23, this program reflected 26.5% of the total FY23 budget.
2. Highway Multimodal Development: The FY24 Budget provides funding from voter approved Measure R and Measure M sales tax ordinances to advance design and construction activities for Highway projects in LA County, notably the I-105 ExpressLanes, I-5 North Capacity Enhancements Project, and community-driven efforts to re-imagine the I-710 North, I-710

South, and I-605 Hot Spots Projects. In FY23, this program reflected 6.6% of the total FY23 Budget.

3. Regional Rail: The FY24 Budget supports double tracking and grade separation projects transitioning from Final Design to pre-construction activities, advancing the transformative Link Union Station project, and ongoing subsidy support for Metrolink's operating and SGR/capital components. In FY23, this program reflected 3.3% of the total FY23 Budget.

In FY23, major infrastructure capital projects totaled 36.4% of the Metro budget. The FY24 Preliminary Budget represents the annual incremental cashflow requirement to advance these capital projects.

Transit Infrastructure Development (TID)

The TID Program consists of transit line expansions and improvements specified in the Measure R (MR) and Measure M (MM) Ordinances. These project development activities are divided into planning and construction phases, and the annual budget request reflects the annual increments of the project development phase. Starting with a feasibility study followed by alternative analyses, the planning phase typically culminates in environmental clearance. The multiyear Life Of Project (LOP) budget is adopted for each project through a separate board action.

The annual budget monitors the cashflow requirement for the activities in each project phase while considering the existing level of board authorization(s), respective project delivery schedule and identifies eligible and available funding sources from Federal/State/Local grants, sales taxes, and financing.

Fig 1:

Transit Infrastructure Development

	Summary	FY23 Adopted	FY24 Preliminary	$ Change	% Change
1	Transit Construction	$ 2,116.0	$ 1,893.4	$ (222.5)	-10.5%
2	Transit Planning	172.2	277.7	105.6	61.3%
3	Program Support/Admin	16.0	19.6	3.57	22.3%
4	**Grand Total**	**$ 2,304.2**	**$ 2,190.8**	$ (113.4)	-4.9%

For FY24, Figure 1 above displays the preliminary budget for the TID program at $2.19 billion, a decrease of $113.4 million or 4.9% from the FY23 budget. The decrease in the Transit Construction budget reflects the opening of the Regional Connector in FY23 while newer projects, including the East San Fernando Valley Light Rail Transit project project has yet to proceed into the major construction phase. While the budget for transit construction decreased, the budget for planning studies increased by $105.6 million, or 61.3%, which reflects increased funding for planning projects in the environmental and design phase, including the Sepulveda Corridor, West Santa Ana Branch and Eastside Transit Corridor Phase 2 projects. These projects will also advance to requiring funds for construction in future fiscal years, and thus this year's requested budget reflects current project

phasing and not a broader pattern.

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

Highway Multimodal Development

The FY24 Preliminary Budget of $606.3 million represents a $27 million or 4.7% increase over the FY23 Adopted Budget. The FY24 preliminary budget reflects a transitional period for Metro's Highway program as the Agency begins to shift away from legacy highway expansion projects and towards investments in ExpressLanes and HOV construction, improvements to bus infrastructure, including bus-only lanes, and safety enhancements. Further, a shift in eligibility criteria for Metro freeway and street programs enables municipalities and partner agencies to incorporate multimodal components in the surface street and subregional road improvement projects.

In FY24, the Highway Multimodal Development budget advances design activities and pre-construction activities for the I-105 ExpressLanes project, the implementation of additional bus-only lanes and bus infrastructure throughout LA County, re-imagining the I-710 South and I-605 Hot Spots projects, and ongoing construction for the I-5 South and I-5 North freeways, as well as the SR-57/SR-60 confluence project.

Fig 2:

	Highway Multimodal Development Project ($ in millions)	FY23 Adopted	FY24 Preliminary	$ Change	% Change
1	Bus Improvements	$ 11.1	$ 14.8	$ 3.6	32.6%
2	Capacity Improvements	211.9	186.3	(25.5)	-12.0%
3	Express/HOV Improvements	63.8	101.5	37.7	59.1%
4	General Planning	9.3	12.7	3.4	37.1%
5	Local Subregion/Street/Safety/Op Improvements	261.7	266.9	5.2	2.0%
6	Property Maintenance	0.9	1.2	0.3	30.6%
7	Traffic Noise Reduction	20.7	23.0	2.3	10.9%
8	**Total Highway Multimodal Development**	**$ 579.3**	**$ 606.3**	**$ 27.0**	**4.7%**

See Attachment B for individual Highway project detail.

Metro Regional Rail

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

Fig 3:

	Metro Regional Rail Project ($ in millions)	FY23 Adopted	FY24 Preliminary	$ Change	% Change
1	Link Union Station	$ 91.9	$ 96.6	$ 4.7	5.1%
2	Rosecrans & Marquardt Grade Separation	27.8	29.4	1.6	5.9%
3	Brighton to Roxford Double Track	3.4	10.2	6.8	197.6%
4	High Desert Corridor	3.6	2.8	(0.8)	-21.8%
5	Doran Street Grade Separation	12.5	10.1	(2.4)	-19.3%
6	Lone Hill to CP White Double Track	6.5	5.8	(0.7)	-11.0%
7	Other Metro Regional Rail	0.5	3.6	3.1	610.4%
8	**Total Metro Regional Rail**	**$ 146.2**	**$ 158.5**	**$ 12.2**	**8.4%**

The LINK US project at Los Angeles Union Station (LAUS) will expand LAUS's overall capacity and operational efficiency for rail operations. The FY24 budget is driven by the anticipated procurement of the Construction Manager / General Contractor (CMGC) contract and the finalization of real estate acquisitions. Other major activities include the ongoing construction of the Rosecrans/Marquardt Grade Separation Project (the State of California's top priority grade crossing project), completing the construction of the interim configuration for the Doran St. Grade Separation Project, completing the final design and initiating pre-construction activities for the Brighton to Roxford double tracking project in the east San Fernando Valley and the completion of the final design for the Lone Hill to White double tracking project in the San Gabriel Valley.

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 privately funded high-speed rail line to Las Vegas.

Metrolink Commuter Rail

At the time of this report, Metrolink is developing its FY24 operating and capital budget. An update will be included in a later monthly report to the Board.

Regional Allocations and Pass Throughs

The budget's Regional Allocations and Pass Throughs portion 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 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 (ex., Local Return) and Regional Transit Funding (ex., Regional Transit Formula and Access Services).
- Pass-through funding for Major Projects being implemented by local agencies, including the Inglewood Transit Connector, Alameda Corridor East Grade Separation Phase II, Metrolink Antelope Valley Line Projects, 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 Regional Allocations and Pass Throughs program expenditures are projected to increase by an estimated $155.2 million over the adopted FY23 Budget and will total approximately $2.06 billion in FY24. About 85% of this budget element is comprised of Local Agency Programs and Regional Transit Funding. As a result of the better than anticipated performance of the local economy during FY22 and FY23, direct subsidies provided by local and State sales tax-based programs passed through to LA County transit operators and local jurisdictions, are expected to increase. The table below summarizes the FY24 Preliminary Regional Allocations and Pass Throughs Budget.

Fig 4:

	Regional Allocations and Pass Throughs ($ in millions)	FY23 Adopte	FY24 Preliminary	$ Change	% Change
1	Local Agencies	$ 822.4	$ 962.2	$ 139.9	17%
2	Regional Transit	692.5	788.3	95.8	14%
3	Major Projects	241.0	164.3	(76.7)	-32%
4	Other Local Programs	93.9	87.1	(6.7)	-7%
5	Regional Federal Grants	29.0	30.4	1.4	5%
6	Fare Assistance	30.3	31.9	1.6	5%
7	**Program Total**	**$ 1,908.9**	**$ 2,064.1**	**$ 155.2**	**8%**

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 increase by $139.9 million, an increase of 17% over the FY23 budgeted amount. Most of this increase is due to the Local Return program, estimated to receive $126.1 million more than the FY23 budgeted amounts in sales tax revenue to LA County jurisdictions.

Regional Transit Funding, Including Access Services

Similar to Local Agency Programs, Regional Transit Funding programs are projected to increase during FY24 by $95.8 million, a 14% increase. This subprogram is comprised of the annual transit formula funding allocated to the LA County municipal and local transit operators as well as Access Services. The increase is partially due to higher than anticipated sales tax revenues in FY22 that will be carried over into FY24. 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 FY24 Formula Allocation Procedure (FAP).

In addition, preliminary funding of $163.9 million is proposed for Access Service operations in Los

Angeles County, including the direct Metro subsidy to support Access riders on Metrolink within the County, an increase of $7.8 million over the adopted FY23 Budget. The final budget amount is subject to Access Services' final budget request.

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

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 less funding (-32%) during FY24 compared to FY23 due to project progress in prior fiscal years.

Fig 5:

	Major Projects ($ in millions)	FY23 Adopted	FY24 Preliminary	$ Change	% Change
1	Inglewood Transit Connector	$ 208.7	$ 114.7	$ (94.0)	-45%
2	Metrolink Antelope Valley Line Projects (NEW)	-	25.0	25.0	100%
3	Alameda Corridor East Grade Separation Phase2	20.1	14.1	(6.0)	-30%
4	Sankofa Park Project	12.2	10.5	(1.7)	-14%
5	**Total**	**$ 241.0**	**$ 164.3**	**$ (76.7)**	**-32%**

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, 7% or $6.7 million less funding is being requested for FY24 activities in the following subprograms: ATP-related grants, Call for Projects, CRD Toll Revenue Grant Program, Federal Earmarks, and TOD Planning Grants. A modest increase of 1.4% 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 $31.9 million to support the Board approved expansion and improvements to the program. This represents a 5% increase over the adopted FY23 budgeted amount for the program.

Early & Expanded Public Engagement Update

Public outreach and engagement continue to be a priority for Metro. Metro's FY24 public engagement and outreach began in 2022. Metro held a Telephone Town Hall on October 18, 2022, and on January 17, 2023, with a third one scheduled in March 2023. Metro launched a My Metro Budget feedback and interactive educational tool, which greatly expanded the outreach efforts, with over 20,000 views. Metro has implemented many changes in how it approaches engaging with the public and stakeholders on important budget topics and will continue to improve.

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Public participation is a process, not a single event, and happens year-round. Metro strives to capitalize on public feedback to reflect the interest and values of the received input. The following methods in attachment A are a few ways Metro obtains public input to help develop the annual budget. There are many other efforts made throughout Metro to engage with stakeholders and the public that help shape the budget. The topics of safety, service, and cleanliness are consistent areas of public concern.

See attachment C for an overview of the public engagement efforts to date.

EQUITY PLATFORM

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

As part of the FY24 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 Approved Budget and the FY24 Budget, the latter of which will be finalized later this year. Implementation of MBEAT and the EFC Budget Assessment will assess equity impacts that will identify access to opportunities and reduce potential barriers or harms.

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

Next month's FY24 Budget process update will address Metro Transit Operations & Maintenance, Metro Transit State of Good Repair, Congestion Management, and Planning and Administration.

Metro will host the third in the series of FY24 Budget Development Telephone Town Halls on March 28, 2023. This is an opportunity for riders and the public to hear and weigh in on the FY24 Proposed Budget. Metro leadership will attend the event and listen, learn, and respond to public comments on Metro's FY24 initiatives.

ATTACHMENTS

Attachment A - Transit Infrastructure Development project details
Attachment B - Highway Multimodal Development project details
Attachment C - Public Engagement Update

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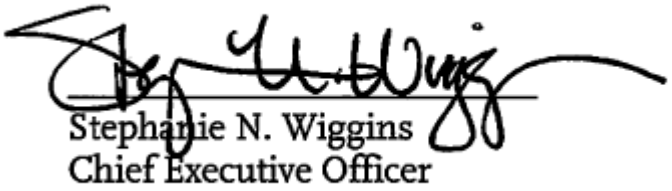


Stephanie N. Wiggins
Chief Executive Officer

Attachment A

Transit Infrastructure Development

TID Projects in Construction Phase:

D Line (Purple) Extension

This project includes three sections of the D (Purple) Line subway extension westward from the current terminus of Wilshire / Western station, collectively adding seven new stations. The FY24 preliminary budget of $1.065 billion supports the continued advancement of tunneling, station box, and trackwork construction activities along the 9.1-mile extension. Section 3, in addition to the tunneling, will move to complete its final design and advanced utility relocation. The Revenue Service Dates for Sections 1, 2, and 3 are 2024, 2025, and 2027, respectively. A related project, the Division 20 Portal Widening, builds a new turnback facility which facilitates the headway requirements for the entire D Line.

Airport Metro Connector

The Airport Metro Connector is a station hub at Aviation Bl / 96th Street on the Crenshaw/LAX Transit line which will allow riders to transfer quickly from the Metro network to the LAX Automated People Mover. This station hub will include the light rail station, bus plaza, bicycle parking, customer service center, and passenger pick-up and drop-off area. FY24 preliminary budget of $177.7 million supports construction activities.

L Line (Gold) Foothill Extension

The L (Gold) Line Foothill Extension will provide 12.3 miles of new rail to the east beyond the current end point of the L Line in Azusa, adding six stations. The preliminary budget of $220.3 million supports improvements to Azusa Depot, retaining wall work, and heavy construction activities beyond Azusa. Design of the extension is substantially complete. A targeted Substantial Completion of the extension to Pomona is planned for 2025, and an extension to Montclair is planned by 2028.

G Line (Orange) BRT Improvements

The G (Orange) Line BRT Improvements will provide better transit service in the San Fernando Valley area with grade separations on major streets, better signal priority technology, electric bus connectivity and four-quad gating system for faster trips. The Metro Board has selected the Valley Transit Partners – a Joint Venture of Stacy and Witbeck, Inc., Flatiron West, and Modern Railway Systems as the contractor for this

project. FY24 preliminary budget of $74.5 million supports property acquisitions, early site work and potholing, and construction activities beginning early 2024.

East San Fernando Valley LRT

The East San Fernando Valley LRT project is total of 9.2-mile, 14-stations extending northward from G Line Van Nuys station to Sylmar/San Fernando Metrolink station. This project is being built in two segments, with the first interim operating segment (IOS) being the 6.7-mile stretch between the G Line Van Nuys station to San Fernando Road in Pacoima. Most advanced design has been completed and will be completed using the Progressive Design Build delivery method, for which procurement is being sought. The preliminary budget of $288.4 million supports right-of-way acquisition and construction after the contract is awarded.

BRT Connector B/G Line to L Line

Metro is planning Bus Rapid Transit (BRT) to connect the cities of Los Angeles (North Hollywood and Eagle Rock communities), Burbank, Glendale, and Pasadena. Environmental review was completed in 2022 and a budget of $60.3 million will support continued preliminary engineering and project design work.

<u>TID Projects in Planning Phase:</u>

The Planning Studies FY24 preliminary budget of $797.7 million supports conceptual engineering, environmental clearance, and right-of-way acquisition on MR and MM projects. Some highlights include the Sepulveda Corridor project which continues the environmental review phase, the West Santa Ana Branch Corridor project for design activities, the East Side Transit Corridor Phase 2 final environmental impact report, C (Green) Line Extension to Torrance of light rail draft environmental impact report and stakeholder coordination, and Vermont Transit Corridor, which will begin environmental services and continue community outreach. Metro is also planning to implement bus rapid transit (BRT) projects across the county with the Broadway BRT project receiving the highest priority for funding as a result of a prior completed study which evaluated the project benefits of different proposed routes.

Eastside Transit Corridor Phase 2

This project plans for an extension of the Metro L Line (Gold) east through the cities of Commerce, Montebello, Pico Rivera, Santa Fe Springs, and Whittier. The draft environmental impact report was released in June 2022 and work is proceeding on the final environmental impact report and conceptual engineering. The FY24 budget request is for $22.4 million.

North San Fernando Valley BRT

Metro is proposing to implement improvements to the bus network in the north San Fernando Valley to provide higher-quality bus service and transit infrastructure. These improvements reimagine the existing network to better serve customers and complement those in the NextGen Bus Plan occurring in other parts of Metro's network, but are planned to be funded using Measure M funds, as an alternative to a single-line BRT project following outreach and evaluation of alternatives. The project has filed a notice of exemption. A budget of $3.3 million will support preliminary engineering and continued stakeholder engagement, and additional funds will support the NextGen bus improvements.

	Transit Infrastructure	Ordinance Project	Expenditure thru FY22	FY23 Adopted	FY24 Preliminary	Life of Project
1	**Transit Construction**	Airport Metro Connector	$ 319.1	$ 242.8	$ 177.7	$ 898.6
2		D (Purple) Line Extension	5,483.4	1,125.8	1,064.7	9,725.6
3		East San Ferando Transit Corridor	91.9	248.2	288.4	-
4		E Line (Expo) Light Rail Transit	2,291.9	4.5	6.0	2,301.1
5		G (Orange) Line BRT	32.4	57.4	74.5	149.7
6		K Line (Crenshaw/LAX) Light Rail Transit	2,338.0	55.7	43.1	2,429.8
7		L (Gold) Line Foothill Extension 2A & 2B	1,591.4	283.0	220.3	2,330.5
8		Regional Connector	1,663.9	98.5	18.8	1,831.0
9	**Transit Construction Subtotal**		**$ 13,811.9**	**$ 2,116.0**	**$ 1,893.4**	**$ 19,666.3**
10	**Transit Planning**	Broadway BRT	-	-	4.0	-
11		BRT Connector B/G Line to L Line	12.9	7.2	60.3	-
12		C (Green) Line South Bay	24.9	11.6	44.1	-
13		Crenshaw Northern	16.7	10.0	18.4	-
14		Eastside Access	30.9	8.8	5.3	29.7
15		Eastside Extension	115.8	13.9	22.4	-
16		North San Fernando Valley BRT	7.1	5.5	3.3	-
17		Sepulveda Corridor	59.1	81.5	71.3	-
18		SGV Feasibility Study	0.9	1.9	2.2	-
19		Vermont Transit Corridor	4.1	2.7	8.1	-
20		West Santa Ana Branch Corridor	64.7	29.1	38.3	-
21	**Transit Planning Subtotal**		**$ 337.2**	**$ 172.2**	**$ 277.7**	**$ 29.7**
22	**Program Control Support**			16.0	19.6	-
23	**Grand Total**		**$ 14,149.1**	**$ 2,304.2**	**$ 2,190.8**	**$ 19,696.1**

Attachment B

Highway Multimodal Development

The Highway Multimodal Development Program continues to evolve, as legacy expansion projects move towards completion or undergo rescoping with robust community participation, new ExpressLanes advance through the design and implementation phase, and multimodal components are integrated into freeway and street projects.

The Highway Multimodal Development Program differs from the Transit Construction Program in that completed projects represent non-Metro owned capital assets despite similarities in delivery and construction phases. For most Highway projects, Metro oversees the planning and early engineering phases, then transitions the project to Caltrans to execute right-of-way acquisitions and construction. Upon completion, Highway projects are capitalized as a Caltrans asset with Caltrans assuming primary responsibility for operations and maintenance.

The FY24 preliminary Highway Multimodal Development budget of $606.3 million represents a $27 million or 4.7% increase over the FY23 Adopted Budget. The increase is primarily due to an increase in design and pre-construction activities for the I-105 ExpressLanes project, countywide bus-only lane and bus infrastructure implementation, and ongoing construction for the I-5 North (North County) and the SR-57/SR-60 confluence project.

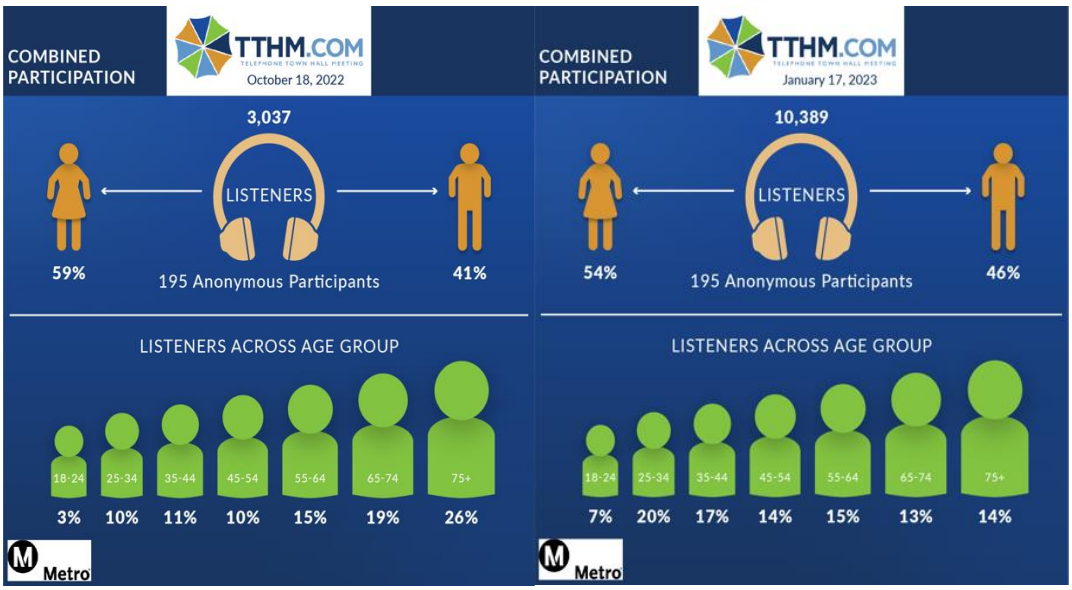
	Highway Multimodal Development Project ($ in millions)	Exp thru FY22	FY23 Adopted	FY24 Preliminary	Subregion
1	**MR/MM Projects**				
2	Countywide Soundwall Constructions	$ 126.0	$ 20.7	$ 23.0	sc
3	High Desert Corridor (environmental)	36.8	0.3	0.1	nc
4	Highway Demand Based Program (SG)	-	-	0.1	sg
5	Highway Efficiency Program	11.4	2.0	6.2	av, lvm, nc
6	Highway Operational Improvements in Arroyo Verdugo Subregion	53.7	8.2	7.5	av
7	Highway Operational Improvements in Las Virgenes/Malibu Subregion	128.2	6.8	3.0	lvm
8	I-105 ExpressLane from I-405 to I-605	16.9	35.3	77.5	sc
9	Sepulveda Pass Transit Corridor (Ph 1 - I-405 ExpressLane)	7.9	10.5	9.0	sf
10	Interstate 405, I-110, I-105 and SR-91 Ramp & Interchange Improvements (South Bay)	151.5	45.3	53.5	sb
11	I-5 Capacity Enhancement from SR-134 to SR-170	173.2	19.0	12.5	av, sf
12	I-5 Carmenita Road Interchange Improvement	22.1	2.0	0.6	gc
13	Interstate 5 Capacity Enhancement from I-605 to Orange County Line	130.3	19.0	20.1	gc
14	Interstate 5 North Capacity Enhancements from SR-14 to Kern County Line (Truck Lanes)	117.8	153.1	105.7	nc
15	Interstate 5/St. Route 14 Capacity Enhancement (North County)	0.2	0.1	3.5	nc
16	Interstate 605 corridor "Hot Spot" Interchanges (Gateway Cities)	195.3	63.1	92.0	gc
17	Interstate 710 South and/or Early Action Projects (Gateway Cities)	165.1	12.7	24.4	gc
18	South Bay Highway Operational Improvements	0.2	2.3	10.0	sb
19	SR-57/SR-60 Interchange Improvements	83.8	95.2	66.2	sg
20	SR-71 Gap from I-10 to Rio Rancho Road	8.3	20.0	25.0	sg
21	SR-710 N Corridor Mobility Improvements	53.6	17.2	12.7	av, cc, sg
22	State Route 138 Capacity Enhancements (North County)	67.1	10.7	10.0	nc
23	Transportation System and Mobility Improvement Program (South Bay)	32.9	13.1	19.5	sb
24	**MR/MM Projects Total**	**$ 1,582.3**	**$ 556.8**	**$ 582.1**	
25	**Other**				
26	Caltrans Property Maintenance	$ 10.2	$ 0.9	$ 1.2	
27	Highway Planning	153.7	3.3	4.3	
28	I-210 Barrier Replacement	13.7	6.6	3.5	
29	I-405 Carpool Lane	1,456.7	0.5	0.5	
30	NextGen Bus Lanes	5.6	11.1	14.8	
31	**Total Highway Multimodal Development**	**$ 3,222.2**	**$ 579.3**	**$ 606.3**	

Attachment C

Telephone Town Hall

We have held two Telephone Town Hall (TTH) meetings, the most recent of which included over 10,000 participants, including over 350 Spanish listeners. (Just include the combined chart, don't show English v. Spanish)

The following demographics are from the October 18, 2022, and the January 17, 2023, meeting:

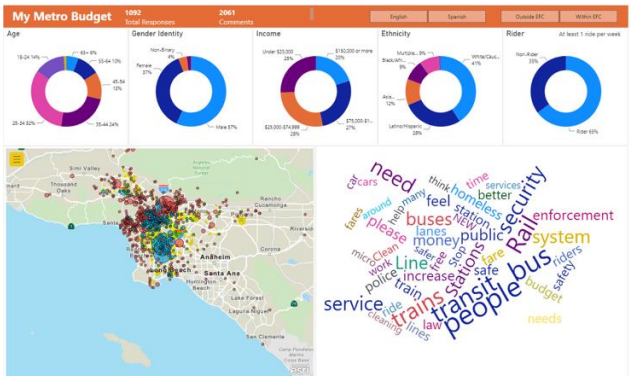


The comments and questions mentioned in the Telephone Town Hall are related to public concern about service, cleaning, and safety across Metro's system. Metro senior leaders were on hand to address those concerns and listen directly to the public. There will be a third Telephone Town Hall meeting on March 28th, 2023, to gather more information from the public and to provide additional updates on the FY24 budget development process.

New My Metro Budget

The My Metro Budget is a new, interactive, educational activity that resulted in over 1,100 submissions and more than 2,000 written comments. Like last year, Metro is dedicated to having the comments guide decisions about the annual budget. These 2,000 comments have been distributed to departments for consideration when developing the FY24 Budget. To help review and assess these comments, OMB staff created an interactive dashboard that can filter comments by cabinet, region, and demographics along with word clouds that allow staff to see hot topics by group and

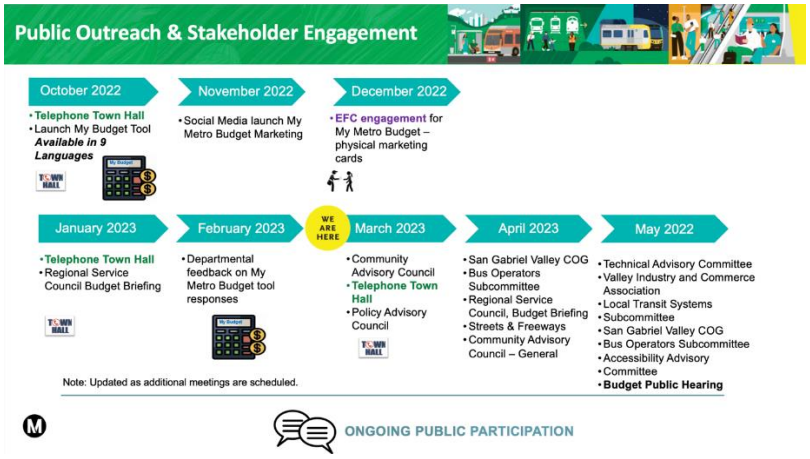
area. Additionally, the dashboard will provide specific demographic and geographic data to identify where comments are coming from.



Stakeholder Meetings and Outreach Efforts

Listening and learning will be of the utmost importance as Metro continues to conduct public outreach for the FY24 Budget. Metro will continue engagement with key stakeholders and community groups throughout the budget process.

Schedules and information for public meetings and updated budget information will be provided in advance on the Finance and Budget portal at https://budget.metro.net.



Item #14

FY24 Budget Development Status Update

Metro

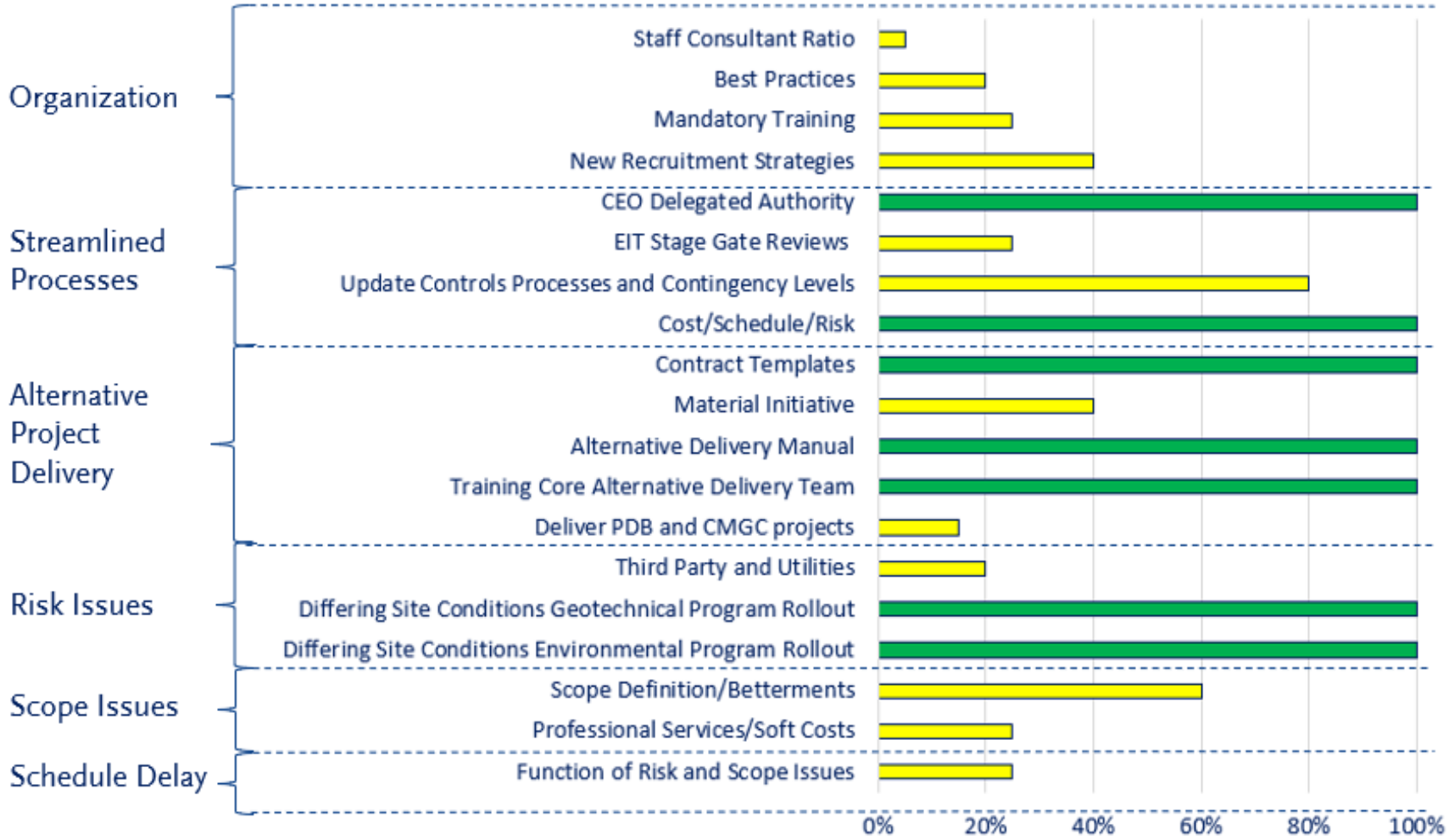
Finance, Budget and Audit Committee
March 15th, 2023

Near-term Financial Challenges & EZBB Cost Controls

- **Near-term Financial Challenges:**
  - Measure R and Measure M receipts totaling 13% below ordinance projections
  - Grants are not always awarded and include operational and local funding requirements
  - New debt issuance used as last resort as subject to maximum bonding capacity and may impact operations available funding
  - Facing higher bid prices and higher cost of construction material
  - Project cost overruns with no new or dedicated funding take away funding available

- **Cost controls through the Equitable Zero-Based Budgeting (EZBB) process**
  - Early Intervention Team (EIT): Improve on-time, on-budget capital program delivery by encouraging collaboration across departments and introducing cost control strategies across the full project life cycle for LA Metro's capital program
  - Metro is implementing strategic initiatives and mitigation measures such as evaluating the consultant to staff ratio and upgrading contract templates

Progress on FY23 Strategic Initiatives and Mitigation Measures



Metro

Context on LA Metro's Early Intervention Team (EIT)

Reminder of the EIT's purpose:

Improve on-time, on-budget capital program delivery by encouraging collaboration across departments and introducing cost control strategies across the full project life cycle for LA Metro's capital program

Recall: Overview of October Board update

- EIT launched as a cross-functional team in July 2022 and has met at least twice a month to improve overall capital program and specific project performance
- EIT was focused on developing a comprehensive set of targeted cost control questions and creating the EIT Project Review Process to share executive cross-functional feedback to improve project outcomes
- Since the October Board update, the EIT has conducted four EIT Project Reviews

Objectives for today

- Share the overall project cycle and how the EIT Project Review Process improves the likelihood of project success
- Discuss the types of critical actions being taken to improve project outcomes, given the integration of EIT feedback, using specific examples from completed EIT Project Reviews
- Outline the EIT's impact to date and proposed next steps

FY24 Major Infrastructure Investment & Regional Allocations

Transit Infrastructure Dev

$2,190.8M (-4.9%)

- Crenshaw & RC completed

Highway Multimodal Dev

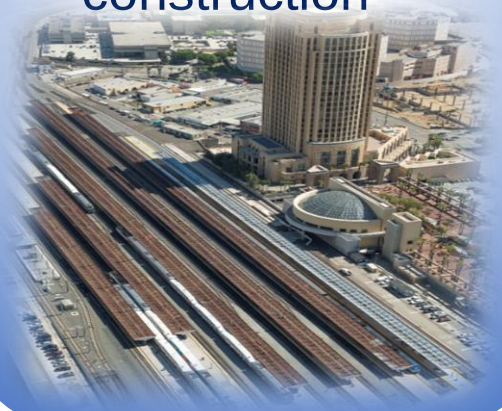
$606.3M (+4.7%)

- Increase in Express lanes

Metro Regional Rail

$158.5M (+8.4%)

- Projects transitioned to construction



Regional Allocations & Pass-Throughs

$2,064.1M (+8%)

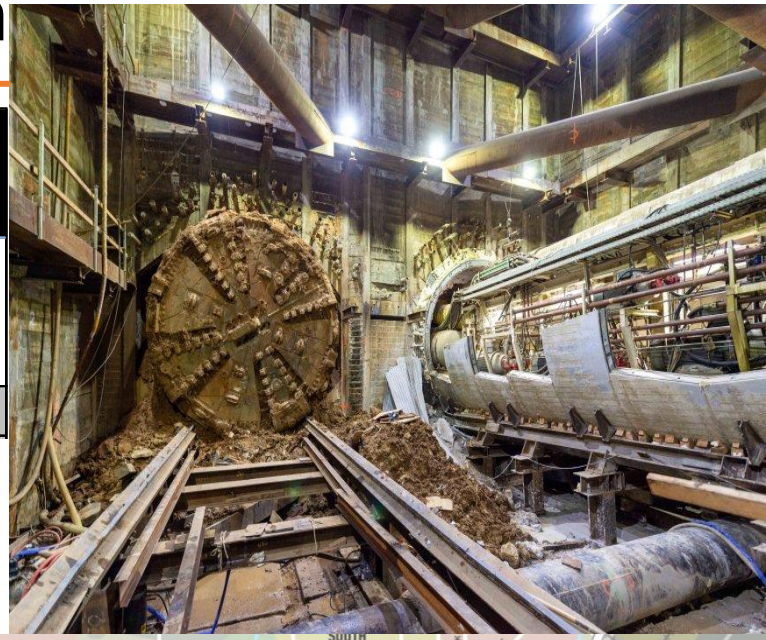
- Increase in sales tax

In FY23 the four programs account for 58.2% of total agency's budget:

Transit Infrastructure Development	Highway Multimodal Development	Metro Regional Rail	Regional Allocations & Pass-Throughs
26.5%	6.6%	3.3%	21.7%

Transit Infrastructure Planning and Construction

Summary ($ in millions)	FY23 Adopted	FY24 Preliminary	$ Change	% Change
Transit Construction	$ 2,116.0	$ 1,893.4	$ (222.5)	-10.5%
Transit Planning	172.2	277.7	105.6	61.3%
Program Support/Admin	16.0	19.6	3.57	22.3%
Grand Total	**$ 2,304.2**	**$ 2,190.8**	$ (113.4)	-4.9%



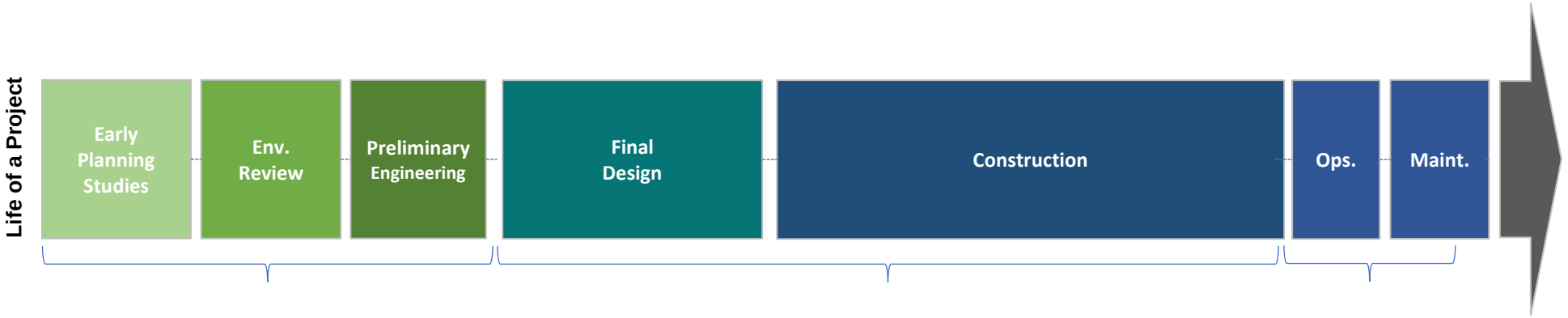
- Continue all major construction projects:
  - PLE Section 1, 2, 3 & support: 56% of construction budget
  - Foothill 2B, AMC, ESFV

- FY24 Budget $2.2B reflects $113M or 4.9% reduction from FY23:
  - Substantial completion of Regional Connector in FY23
  - Construction budget decreased to reflect realistic cash flow needs

- Planning studies increase $105.6M, 61.3%
  - Maintaining Measure M schedules for projects currently funded in LRTP or grant funded.
  - Increased involvement of construction group
  - BRT studies

- Program Support & Admin
  - Business Solution Center

Transit Infrastructure Planning and Construction Projects



Transit Planning ($ in millions)	FY24 Preliminary
Broadway BRT	$ 4.0
BRT Connector B/G Line to L Line	60.3
C (Green) Line South Bay	44.1
Crenshaw Northern	18.4
Eastside Access	5.3
Eastside Extension	22.4
North San Fernando Valley BRT	3.3
Sepulveda Corridor	71.3
SGV Feasibility Study	2.2
Vermont Transit Corridor	8.1
West Santa Ana Branch Corridor	38.3
TID Planning Total	**$ 277.7**

Transit Construction ($ in millions)	FY24 Preliminary
Airport Metro Connector	$ 177.7
D (Purple) Line Extension	1,064.7
East San Ferando	288.4
Expo Closeout	6.0
G (Orange) Line BRT	74.5
K Line (Crenshaw/LAX) Light Rail Transit	43.1
L (Gold) Line Foothill Ext 2A & 2B	220.3
Regional Connector	18.8
Transit Construction Total	**$ 1,893.4**

Multimodal Highway Program ($606.3m)

Bus Improvements

$14.8m

+$3.6m (33%)

Capacity Improvements

$186.3m

-25.5m (-12%)

Express / HOV Improvements

$101.5m

+37.7m (59%)

General Planning

$12.7m

+3.4m (37%)

Local Subregional Improvements

$266.9m

+5.2m (2%)

Traffic Noise Reduction & Property Maintenance

$24.1m

+2.5m (12%)

Overview:

- Increase in ExpressLane investments driven by the I-105 ExpressLane project.
- Other increases include dedicated bus lane and noise reduction investments.
- A decrease in Capacity Improvement investments as construction continues for legacy projects. New expansion projects (710N/S) are transitioning to Mobility Improvement Projects nominated by local municipalities under the "Local Subregion" subprogram.

Regional Rail ($158.5m)

Link Union Station:

- Complete ROW Acquisition
- Procure CM/GC contract

$96.6M
+$4.7m (5.1%)

Grade Separation Projects:

- Rosecrans: Full Construction.
- Doran St: Interim Improvements construction

$39.5M
-$.8m (-2%)

Double Tracking Projects:

Brighton to Roxbury and Lone Hill to CP White in final design

$16M
+$6.1m (62%)

High Desert Corridor Rail Service Plan and Other Metro Regional Rail Projects

$6.4M
+$2.3m (56%)

METROLINK

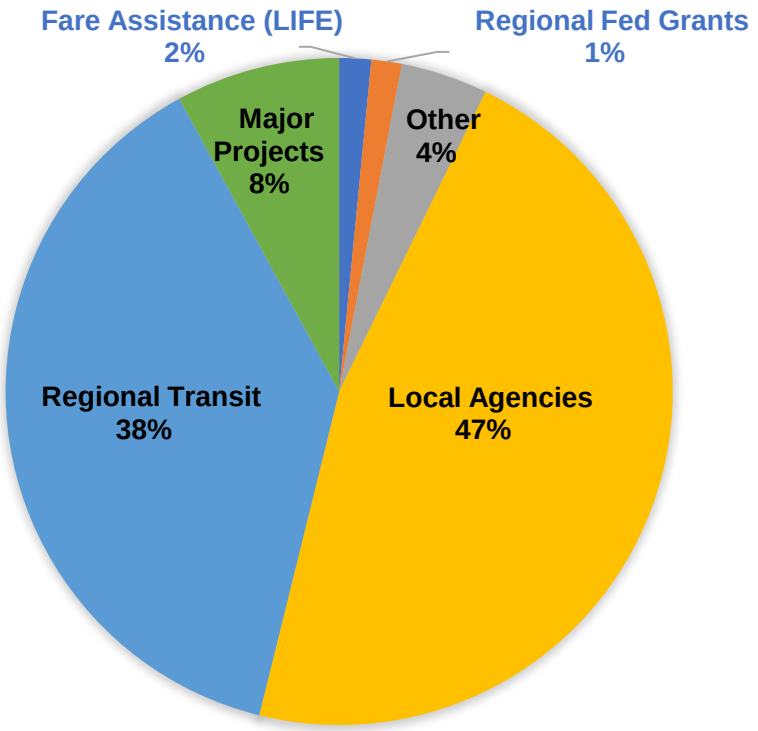
Metrolink's FY24 Budget is still under development and will be available upon receipt

Currently In Development

Overview:

- Double Tracking and Grade Separation projects transitioning from Final Design to Construction Phase
- High Desert Corridor moving from study phase to environmental / engineering phase.
- Metrolink subsidy still under development

Regional Allocations & Pass Throughs



Regional Allocations & Pass Throughs ($ millions)	FY23 Adopted	FY24 Preliminary	$ Change	% Change
Local Agencies	$ 822.4	$ 962.2	$ 139.9	17%
Regional Transit	692.5	788.3	95.8	14%
Major Projects	241.0	164.3	(76.7)	-32%
Other Local Programs	93.9	87.1	(6.7)	-7%
Regional Federal Grants	29.0	30.4	1.4	5%
Fare Assistance (LIFE)	30.3	31.9	1.6	5%
Total	**$ 1,908.9**	**$ 2,064.1**	**$ 155.2**	**8%**

(1) Excludes Funding Allocated to Metro Transit Operations

- 91% of funding passed through to transit operators & local jurisdictions per formula, federal guidelines, State law & Board policy
- Estimated 8% increase driven by higher projected sales tax
- Greatest increase within Local Agency Programs (17%) and Regional Transit (14%) and represents 85% of this program's budget

Metro

Public Outreach & Stakeholder Engagement

October 2022

- **Telephone Town Hall**
- Launch My Budget Tool: distributed via social media, e-blast, QR codes, flyers

November 2022

- Social Media launch My Metro Budget Marketing

December 2022

- **EFC engagement** for My Metro Budget – physical marketing cards

January 2023

- **Telephone Town Hall**
- Regional Service Council Budget Briefing

February 2023

- Finalization of My Metro Budget data, feedback solicited from departments

WE ARE HERE

March 2023

- Community Advisory Council
- **Telephone Town Hall – Mar 28**

April 2023

- San Gabriel Valley COG
- Gateway COG
- Policy Advisory Council
- Bus Operators Subcommittee
- Regional Service Council, Budget Briefing
- Streets & Freeways
- Community Advisory Council – General

May 2022

- Technical Advisory Committee
- Valley Industry and Commerce Association
- Local Transit Systems Subcommittee
- San Gabriel Valley COG
- **South Bay COG (added)**
- Bus Operators Subcommittee
- Accessibility Advisory Committee
- **Budget Public Hearing**
- **Board Adoption**

Note: Updated as additional meetings are scheduled.

ONGOING PUBLIC PARTICIPATION

Schedule & Next Steps

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

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

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

WE ARE HERE

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

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