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Agenda - Final

Wednesday, February 15, 2023

1:30 PM

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Finance, Budget and Audit Committee

Kathryn Barger, Chair

Holly J. Mitchell, Vice Chair

Paul Krekorian

Tim Sandoval

Gloria Roberts (Interim), non-voting member

Stephanie Wiggins, Chief Executive Officer

METROPOLITAN TRANSPORTATION AUTHORITY BOARD AGENDA RULES

(ALSO APPLIES TO BOARD COMMITTEES)

PUBLIC INPUT

A member of the public may address the Board on agenda items, before or during the Board or Committee's consideration of the item for one (1) minute per item, or at the discretion of the Chair. A request to address the Board must be submitted electronically using the tablets available in the Board Room lobby. Individuals requesting to speak will be allowed to speak for a total of three (3) minutes per meeting on agenda items in one minute increments per item. For individuals requiring translation service, time allowed will be doubled. The Board shall reserve the right to limit redundant or repetitive comment.

The public may also address the Board on non-agenda items within the subject matter jurisdiction of the Board during the public comment period, which will be held at the beginning and/or end of each meeting. Each person will be allowed to speak for one (1) minute during this Public Comment period or at the discretion of the Chair. Speakers will be called according to the order in which their requests are submitted. Elected officials, not their staff or deputies, may be called out of order and prior to the Board's consideration of the relevant item.

Notwithstanding the foregoing, and in accordance with the Brown Act, this agenda does not provide an opportunity for members of the public to address the Board on any Consent Calendar agenda item that has already been considered by a Committee, composed exclusively of members of the Board, at a public meeting wherein all interested members of the public were afforded the opportunity to address the Committee on the item, before or during the Committee's consideration of the item, and which has not been substantially changed since the Committee heard the item.

In accordance with State Law (Brown Act), all matters to be acted on by the MTA Board must be posted at least 72 hours prior to the Board meeting. In case of emergency, or when a subject matter arises subsequent to the posting of the agenda, upon making certain findings, the Board may act on an item that is not on the posted agenda.

CONDUCT IN THE BOARD ROOM - The following rules pertain to conduct at Metropolitan Transportation Authority meetings:

REMOVAL FROM THE BOARD ROOM - The Chair shall order removed from the Board Room any person who commits the following acts with respect to any meeting of the MTA Board:

- a. Disorderly behavior toward the Board or any member of the staff thereof, tending to interrupt the due and orderly course of said meeting.
- b. A breach of the peace, boisterous conduct or violent disturbance, tending to interrupt the due and orderly course of said meeting.
- c. Disobedience of any lawful order of the Chair, which shall include an order to be seated or to refrain from addressing the Board; and
- d. Any other unlawful interference with the due and orderly course of said meeting.

INFORMATION RELATING TO AGENDAS AND ACTIONS OF THE BOARD

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The State Political Reform Act (Government Code Section 84308) requires that a party to a proceeding before an agency involving a license, permit, or other entitlement for use, including all contracts (other than competitively bid, labor, or personal employment contracts), shall disclose on the record of the proceeding any contributions in an amount of more than \$250 made within the preceding 12 months by the party, or his or her agent, to any officer of the agency, additionally PUC Code Sec. 130051.20 requires that no member accept a contribution of over ten dollars (\$10) in value or amount from a construction company, engineering firm, consultant, legal firm, or any company, vendor, or business entity that has contracted with the authority in the preceding four years. Persons required to make this disclosure shall do so by filling out a "Disclosure of Contribution" form which is available at the LACMTA Board and Committee Meetings. Failure to comply with this requirement may result in the assessment of civil or criminal penalties.

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NOTE: ACTION MAY BE TAKEN ON ANY ITEM IDENTIFIED ON THE AGENDA

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The Committee Meeting begins at 1:30 PM Pacific Time on February 15, 2023; you may join the call 5 minutes prior to the start of the meeting.

Dial-in: 888-251-2949 and enter
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Public comment will be taken as the Board takes up each item. To give public comment on an item, enter #2 (pound-two) when prompted. Please note that the live video feed lags about 30 seconds behind the actual meeting. There is no lag on the public comment dial-in line.

Instrucciones para comentarios publicos en vivo:

Los comentarios publicos en vivo solo se pueden dar por telefono.

La Reunion de la Junta comienza a las 1:30 PM, hora del Pacifico, el 15 de Febrero de 2023. Puedes unirte a la llamada 5 minutos antes del comienzo de la junta.

Marque: 888-251-2949 y ingrese el codigo
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Los comentarios del público se tomaran cuando se toma cada tema. Para dar un comentario público sobre una tema ingrese # 2 (Tecla de numero y dos) cuando se le solicite. Tenga en cuenta que la transmisión de video en vivo se retrasa unos 30 segundos con respecto a la reunión real. No hay retraso en la línea de acceso telefónico para comentarios públicos.

Written Public Comment Instruction:

Written public comments must be received by 5PM the day before the meeting. Please include the Item # in your comment and your position of "FOR," "AGAINST," "GENERAL COMMENT," or "ITEM NEEDS MORE CONSIDERATION."
Email: BoardClerk@metro.net
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Board Administration
One Gateway Plaza
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Los Angeles, CA 90012

CALL TO ORDER

ROLL CALL

11. **SUBJECT: MEASURE M FIVE YEAR COMPREHENSIVE ASSESSMENT AND EQUITY REPORT CRITERIA** [2022-0854](#)

RECOMMENDATIONS

CONSIDER:

- A. APPROVING criteria for the Measure M Five Year Comprehensive Assessment and Equity Report (Attachment A); and
- B. AUTHORIZING an increase in the Contract Modification Authority (CMA) for Task Order No. PS87260-5433000 under Countywide Planning and Development Bench Contract PS54330009 with Fehr & Peers, in the not-to-exceed amount of \$100,000, increasing the current not-to-exceed CMA amount from \$100,000 to a new CMA amount not-to-exceed \$200,000, thereby increasing the task order value to \$561,713.83 should all modifications be executed.

Attachments: [Attachment A - Proposed Assessment Objectives and Criteria](#)
[Attachment B - MMITOC Comments on Assessment Objectives and Criteria](#)
[Attachment C - Procurement Summary](#)
[Attachment D - Contract Modification Change Order Log](#)
[Attachment E - DEOD Summary](#)
[Presentation](#)

12. **SUBJECT: FISCAL YEAR 2024 BUDGET DEVELOPMENT STATUS UPDATE** [2023-0044](#)

RECOMMENDATION

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

Attachments: [Attachment A - FY24 Budget Public Engagement & Outreach Forums](#)

- SUBJECT: GENERAL PUBLIC COMMENT** [2023-0068](#)

RECEIVE General Public Comment

Consideration of items not on the posted agenda, including: items to be presented and (if requested) referred to staff; items to be placed on the agenda for action at a future meeting of the Committee or Board; and/or items requiring immediate action because of an emergency situation or where the need to take immediate action came to the attention of the Committee subsequent to the posting of the agenda.

COMMENTS FROM THE PUBLIC ON ITEMS OF PUBLIC INTEREST WITHIN
COMMITTEE'S SUBJECT MATTER JURISDICTION

Adjournment



Board Report

File #: 2022-0854, File Type: Plan

Agenda Number: 11.

FINANCE, BUDGET AND AUDIT COMMITTEE FEBRUARY 15, 2023

SUBJECT: MEASURE M FIVE YEAR COMPREHENSIVE ASSESSMENT AND EQUITY REPORT CRITERIA

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATIONS

CONSIDER:

- A. APPROVING criteria for the Measure M Five Year Comprehensive Assessment and Equity Report (Attachment A); and
- B. AUTHORIZING an increase in the Contract Modification Authority (CMA) for Task Order No. PS87260-5433000 under Countywide Planning and Development Bench Contract PS54330009 with Fehr & Peers, in the not-to-exceed amount of \$100,000, increasing the current not-to-exceed CMA amount from \$100,000 to a new CMA amount not-to-exceed \$200,000, thereby increasing the task order value to \$561,713.83 should all modifications be executed.

ISSUE

The Measure M Ordinance requires that every five (5) years, Metro conduct a comprehensive review of all projects and programs implemented under the Measure M Expenditure Plan (Plan) to evaluate the performance of the overall program and make recommendations to improve its performance based on current practices, best practices, and organizational changes to improve coordination. In addition, the Measure M Guidelines require that the specific evaluation areas, performance metrics, and criteria of the Program Assessment be approved by the Metro Board of Directors in consultation with the Measure M Independent Taxpayer Oversight Committee (MMITOC).

BACKGROUND

Since the passage of Measure M, Metro has followed a continuous monitoring approach for the oversight of the projects and programs included in the Plan. This has been realized through the quarterly updates provided to the MMITOC on budget and expenses for the program, status on Transit and Highway capital projects, as well as updates of the Active Transportation and State of Good Repair programs. In addition, annual independent audits are conducted to determine Metro's

and the subrecipient's compliance with the provisions of the Ordinance related to the receipt and expenditure of sales tax revenues during each fiscal year. The quarterly and annual reviews, along with the five- and ten-year assessments, provide ongoing oversight, as well as transparency to Los Angeles County taxpayers, as set forth in the Ordinance.

Additionally, Metro renewed its commitment to equity with Board approval of the Metro Equity Platform Framework ("Equity Platform") in 2018. The Equity Platform consists of four pillars to guide Metro's equity implementation in projects, programs, policies, services, processes, and all that Metro does:

- Define and Measure
- Listen and Learn
- Focus and Deliver
- Train and Grow

The Measure M Five Year Comprehensive Assessment and Equity Report supports two pillars: Define and Measure and Focus and Deliver. The report's evaluation of the first five years of Measure M funding will define and measure equity impacts from the sales tax measure and provide findings from this analysis period demonstrating Metro's progress and delivery of the Measure M expenditure plan.

In the Summer of 2022, Metro started initial research and outreach to identify preliminary objectives and criteria for a report analyzing the impacts of Measure M's first five years of funding.

Measure M is a revenue source for many major multi-year capital projects that will bring mobility improvements across the Los Angeles region. The preliminary research and outreach focused on impacts on the people of Los Angeles for this assessment, resulting in five key themes for the analysis: Mobility, Experience, Community, Regional, and Stewardship. These themes are proposed to also serve as a foundation to analyze the performance and progress of Measure M-funded activities within the Five Year Comprehensive Assessment and Equity Report.

DISCUSSION

The intent of the Assessment is to evaluate the performance and impact of the overall Measure M program and support the successful delivery of Measure M projects and programs. Key among the steps towards completing the Assessment was the development of objectives and criteria that measure Metro's implementation of the Plan in the initial five years (FY18 - FY22).

As contained in Attachment A, staff is proposing Assessment objectives and performance criteria that guide the comprehensive evaluation of the performance from June 2017 to June 2022 and lead to recommendations for opportunities to improve the performance in future phases. They are based on best practices and are aligned with those used by other agencies. The objectives support effective decision making by identifying and evaluating process improvement opportunities, best practices and suggestions for improved internal coordination, as well as potential barriers in achieving the effective delivery of the program. Furthermore, the identified assessment areas will examine Metro's performance on a range of activities including, financial performance, effectiveness of project delivery, Metro's program management approach, compliance with the Ordinance and, transparency

to the Board and public and alignment with Metro's equity objectives.

The project team began collecting five-year Metro data on service, ridership, maintenance, safety, funding expenditures, program and project delivery, and many other metrics. The team also began collecting data outside of the agency that captured the broader conditions of the five-year period (FY2018 - FY2022), including many significant external drivers such as new state and federal funding sources, the 2028 Olympics announcement, and of course, the COVID-19 pandemic. The team met with eight Metro advisory committees to identify equity impacts and key themes from the five-year period to guide research and the framework of a final comprehensive assessment. These committees included the Accessibility Advisory Committee, Community Advisory Council, Metro Youth Council, Office of Strategic Innovation working group, Policy Advisory Council, Sustainability Council, Technical Advisory Committee, and a preliminary presentation to the MMITOC. The team also presented to and solicited feedback from the Aging/Disability Transportation Network. During Fall 2022, the team hosted four community-based organization (CBO) listening sessions (three virtual, one in-person), inviting over 120 individuals from 96 CBOs, meeting with 25 individuals and receiving 11 virtual surveys from community members who could not attend the listening sessions. Interpretation services were available at all sessions.

During the Quarterly MMITOC meeting in December 2022, staff sought feedback on an initial draft of the Assessment criteria and objectives. Following this meeting, the MMITOC provided some initial recommendations and feedback. To ensure adequate engagement with the MMITOC prior to presentation to the Board, staff convened a special meeting on January 10, 2023. During the special meeting, staff discussed the specific comments provided by the MMITOC and demonstrated how the comments would be addressed within the refined objectives and/or Assessment to fully engage the MMITOC in the process. See Attachment B for full MMITOC comments received and corresponding Assessment Objectives refinement.

The final report is scheduled to be completed before the end of FY 2023. With the remaining timeline, staff is requesting a CMA increase to streamline any potential future task order modifications related to additional analysis and outreach. The requested CMA increase amount is based on the existing project contract tasks and rates.

DETERMINATION OF SAFETY IMPACT

There is no anticipated safety impact associated with the recommended action. This action would set criteria and performance metrics for Metro's Measure M Five Year Assessment.

FINANCIAL IMPACT

Adoption of the Measure M Assessment criteria does not have a direct financial impact to the agency.

Impact to Budget

No impact to Metro's budget is anticipated as a result of the Board approving the Assessment criteria.

EQUITY PLATFORM

Proposed objectives and criteria for the Measure M Five Year Comprehensive Assessment and Equity Report will analyze the first five years of Measure M investments through Metro's Equity Platform framework by focusing on impacts to people as well as progress on projects. Metro continues to serve riders throughout the Los Angeles region, who are predominantly lower income, Black, Indigenous, and other People of Color (BIPOC), and without access to other mobility options. Further, the ongoing COVID-19 pandemic and daily disruption to health and economic stability has hit already-vulnerable communities hardest. Metro plays a key role in the region, as an operator, employer, planner, builder, and funder. The proposed objectives and criteria are intended to meet Measure M guidelines within the broader Assessment and support a deep understanding of how Measure M has allowed Metro to continue to provide essential services for Los Angeles, with an equity lens, in its first five years.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

This item supports Strategic Plan Goal #5, which seeks to "Provide responsive, accountable, and trustworthy governance within Metro. The Measure M Comprehensive Assessment seeks to ensure the continued effective delivery of Measure M projects and programs and transparency to the Board, MMITOC, stakeholders and public.

ALTERNATIVES CONSIDERED

The Board may choose to not proceed with the recommended objectives and criteria however, the proposed assessment criteria are aligned with feedback from stakeholders, and reflect consultation with the MMITOC, as well as benchmark with other self-help transit agencies measure assessment best practices.

NEXT STEPS

With the approval of this item, and as stipulated in the Ordinance and Guidelines, staff will finalize the Assessment and present the results to the MMITOC in the Spring of 2023 to enable them to add findings or recommendations. The results of the MMITOC's review and feedback will be included in the staff report to the Metro Board as part of the adoption of the Assessment.

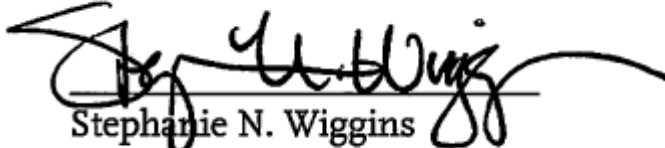
ATTACHMENTS

Attachment A - Proposed Assessment Objectives and Criteria
Attachment B - MMITOC Comments on Assessment Objectives and Criteria
Attachment C - Procurement Summary
Attachment D - Contract Modification and Change Order Log
Attachment E - DEOD Summary

Prepared by: Naomi Iwasaki, Senior Director, (213) 922-3085
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Stephanie N. Wiggins
Chief Executive Officer

Measure M Five Year Assessment and Equity Report Proposed Objectives and Criteria (FY18-22)

The intent of the **Measure M Five Year Comprehensive Assessment and Equity Report** is to evaluate the performance and impact of the overall Measure M program and support the successful delivery of Measure M projects and programs. Key among the steps towards the completion of the Assessment was the development of objectives and criteria that measure Metro's implementation of the Plan in the initial five years (FY18 – FY22).

In addition, as stipulated in the Measure M Guidelines, staff is currently developing the Short Range Transportation Plan (SRTP) and plans to align Board adoption of both reports to ensure that the results of the Assessment are reflected within the SRTP financial forecast.

Key Assessment Objectives

- Assess Metro's performance on the efficiency and effectiveness in delivering Measure M projects and programs
- Identify and evaluate any potential barriers in the delivery of the Expenditure Plan
- Identify and evaluate opportunities for process improvement
- Identify and evaluate best practices to be used going forward
- Identify and evaluate any organizational changes needed to improve coordination

Assessment Areas and Related Performance Criteria

1. Financial Analysis

- Accounting of revenues and expenditures (Fiscal Year 2018-22)
- Whether initial funding assumptions have been achieved, and by what ratio
- Whether funding sources to accomplish the Expenditure Plan have been adequate, by what ratio, and reasoning behind any differences

2. Project Delivery

- Identification of potential risks on project deliveries that may need to be addressed in the Expenditure Plan
- Identification of progress (as of June 30, 2022) of project scope, cost, and schedule related to original projections
- Qualitative evaluation of effectiveness in developing and implementing the projects and programs included in Measure M, based on the above criteria

3. Program Management

- Description of Metro's approach to program management over the past 5-year period
- Whether program progress reporting has been adequate, such as frequency of reporting and topics covered in reporting
- Whether change order reporting has been adequate, such as ratios of different types of change orders, reasons behind change orders, and efforts

- being done to minimize change orders
- Whether staffing/resources have been adequate, in terms of anticipated versus actual workforce utilized on projects, and for both internal and external staff
- Whether the Quality Assurance Program is effective in ensuring the quality expected, and whether it measures up the other agency processes of a similar nature

4. Compliance

- Demonstration of Metro's and subrecipients compliance with the Ordinance

5. Transparency/Accountability/Equity

- Whether reporting to MMITOC has been adequate
- Description of the purpose, functionality, and usefulness of the MMITOC in meeting requirements of the Ordinance
- Whether reporting to Metro Board on MM has been adequate through reports including all items required in the Ordinance
- Whether Public Information has been available with expected regularity and detail, such as posting of agendas, public hearings, annual audit reports, dedicated website
- Whether equity and inclusion objectives have been aligned with other Metro endeavors, such as geographic distribution of services related to EFCs

MMITOC Assessment Objectives and Criteria Comments

As required, by the Measure M Ordinance and Guidelines, staff sought feedback on the proposed assessment objectives and criteria from the Measure M Independent Taxpayer Oversight Committee (MMITOC). The table below details the comments received from the MMITOC and corresponding updates to the objectives and criteria.

Ref.	Committee comment	Refinement
Section 5, bullet 1	These items need to correspond with input received in reports from Metro staff over the past five years. For this section, the names of those assessing and evaluating need to be identified, along with their roles.	Added to section 5, first bullet: Whether reporting to MMITOC has been adequate.
Key Objectives, bullet 1	Assess what performance? The sentence is not clear. Better: "Assess MTA's efficiency and effectiveness in delivering Measure M's projects and programs." Efficiency measures \$\$ spent per unit of output, e.g., \$\$/bus-hour, Effectiveness measures returns per unit of output (riders/bus-hour) I am not sure what measurements to use for construction.	Changed first bullet in key objectives: Assess Metro's performance on the efficiency and effectiveness in delivering Measure M projects and programs. In addition, refined assessment areas to identify performance criteria.
Key Objectives, bullet 4	Add "to be used going forward" to the fourth bullet of the objectives	Changed fourth bullet in key objectives: Identify and evaluate best practices to be used going forward.
Section 5, bullet 2	For this section, Measure M Committee members with special expertise should meet with relevant counterparts in their specialties. For future reports, consider adding areas of performance, including design, local and regional planning, environmental performance and resiliency, and others to be identified.	Added to section 5, second bullet: Description of the purpose, functionality, and usefulness of the MMITOC in meeting requirements of the Ordinance.
N/A	Add: Identify any system bottlenecks and what changes to the Expenditure Plan might be needed to assure a more effective transit system.	No change as the 10 Year Assessment will review changes in circumstances affecting the delivery of projects/programs in the Measure M Expenditure Plan.
N/A	Add: Identify changes to the priorities identified in the Expenditure Plan that might be needed to meet changing externalities.	No change as the second bullet of the key objectives addresses this.
N/A	Add: Estimate the realistic future operating costs of projects now being constructed to determine any future	No change as the 10 Year Assessment will review changes in circumstances affecting the delivery of

Ref.	Committee comment	Refinement
	impacts to the Expenditure Plan.	projects/programs in the Measure M Expenditure Plan.
Section 2, bullet 1	Add “on project deliveries that might need to be addressed in the Expenditure Plan” to first bullet under Project Delivery.	Changed section 2, first bullet: Identification of potential risks on project deliveries that may need to be addressed in the Expenditure Plan.
Section 5, bullet 2	Add: Evaluate the purpose, functionality, and usefulness of the Oversight Committee in meeting the requirements of the Ordinance.	Added to section 5, second bullet: Description of the purpose, functionality, and usefulness of the MMITOC in meeting requirements of the Ordinance.
N/A	<p>In measuring overall program performance, the five-year assessment should discretely address which subfunds / program elements support each of the eight goals and moreover how the programs have performed in achieving these goals in the context of the two primary objectives.</p> <p>The public will like to know (1) the extent to which traffic congestion has been eased and transportation improved, and (2) the success of each of the eight goals.</p>	Will integrate the eight core goals identified in the Measure M Ordinance into the five themes identified during the assessment research phase.

PROCUREMENT SUMMARY

2022 QUALITY OF LIFE EQUITY REPORT/PS87260-5433000

1.	Contract Number: Task Order No. PS87260-5433000 under Contract No. PS54330009		
2.	Contractor: Fehr & Peers		
3.	Mod. Work Description: Increase the contract modification authority (CMA) for Task Order No. PS87260-5433000 with Fehr & Peers, in the not-to-exceed amount of \$100,000, an increase from \$100,000 to \$200,000.		
4.	Contract Work Description: 2022 Quality of Life Equity Report		
5.	The following data is current as of: 1/9/23		
6.	Contract Completion Status		Financial Status
	Contract Awarded:	5/20/22	Contract Award Amount: \$361,787.26
	Notice to Proceed (NTP):	5/20/22 (Task Order Execution)	Total of Modifications Approved: \$99,926.57
	Original Complete Date:	11/21/22	Pending Modifications (including this action): N/A
	Current Est. Complete Date:	6/23/23	Current Contract Value (with this action): \$461,713.83
7.	Contract Administrator: Lily Lopez		Telephone Number: (213) 922-4639
8.	Project Manager: Naomi Iwasaki		Telephone Number: (213) 922-3085

A. Procurement Background

This Board Action will authorize the increase of the Contract Modification Authority (CMA) amount for the negotiation and execution of anticipated modification(s) to incorporate any feedback from the Metro Board that may not have been anticipated in the original Task Order scope.

Task Order Modification(s) will be processed in accordance with Metro's Acquisition Policy and the contract type is a firm fixed price.

On May 20, 2022, Metro staff awarded firm-fixed price Task Order No. PS87260-5433000 under Countywide Planning and Development Bench Contract No. PS54330009 to Fehr & Peers for the 2022 Quality of Life Equity Report.

Three modifications have been issued to date.

Refer to Attachment C – Contract Modification/Change Order Log.

B. Cost Analysis

The cost for any Task Order modification(s) will be reviewed and analyzed for fair and reasonableness, upon completion of fact finding, technical evaluation, cost analysis, and negotiations. All Task Order Modification(s) will be processed in accordance with Metro's Acquisition Policy, within and up to the additional CMA authorized.

CONTRACT MODIFICATION AND CHANGE ORDER LOG
2022 QUALITY OF LIFE EQUITY REPORT/PS87260-5433000

Mod. No.	Description	Status (approved or pending)	Date	\$ Amount
1	Extended period of performance to December 12, 2022	Approved	11/21/22	\$0.00
2	Extended period of performance to December 30, 2022	Approved	12/12/22	\$0.00
3	Added additional scope and extended the period of performance to June 23, 2023	Approved	12/27/22	\$99,926.57
	Modification Total:			\$99,926.57
	Original Task Order:	Approved	5/20/22	\$361,787.26
	Total:			\$461,713.83

DEOD SUMMARY

QUALITY OF LIFE EQUITY REPORT/PS87260-5433000

A. Small Business Participation

Fehr & Peers (F&P) made a 27.47% Small Business Enterprise (SBE) commitment and a 4.11% Disabled Veterans Enterprise (DVBE) commitment on this Task Order contract. Based on payments, the Task Order is 12% complete and the current SBE participation is 0.21% and the current DVBE participation is 0.00%, representing a delta of 27.26% and 4.11%, respectively.

As this is early in the contract, staff will continue to monitor F&P’s effort to ensure that they are on track to meet or exceed their commitments. An assessment for a shortfall plan will be conducted at 50% contract completion.

Small Business Commitment	SBE 27.47% DVBE 4.11%	Small Business Participation	SBE 0.21% DVBE 0.00%
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	SBE Subcontractors	% Committed	Current Participation¹
1.	Cityworks Design	27.47%	0.21%
	Total		

	DVBE Subcontractors	% Committed	Current Participation¹
1.	Atlas Planning Solutions	4.11%	0.00%
	Total		

¹Current Participation = Total Actual amount Paid-to-Date to DBE firms ÷ Total Actual Amount Paid-to-date to Prime.

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy is not applicable to this contract.

C. Prevailing Wage Applicability

Prevailing wage is not applicable to this contract.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of \$2.5 million.



Measure M Five Year Comprehensive Assessment and Equity Report

Finance Budget & Audit Committee

February 15, 2023



Project Benchmarks (2016-2022)



“Metro shall conduct every five (5) years a comprehensive review of all projects and programs implemented under the Plan to evaluate the performance of the overall program and make recommendations to improve its performance on current practices, best practices, and organizational changes to improve coordination.”

- Measure M Ordinance §8.h.4.B.

Initial Report Development



First five years of Measure M through equity framework



Data collection and analysis with “people-first” focus



Advisory Committee and community outreach

Measure M ITOC Feedback

Present

- December 2022 - staff presented draft objectives to MMITOC and requested comments from Committee

Receive

- December 2022/January 2023 - Committee provided suggestions that support alignment with the MM fundamental goals and help form foundation for future enhancements to the program and to its oversight

Refine

- January 2023 - Staff convened a special MMITOC meeting to discuss specific comments and share revisions

Proposed Objectives and Criteria

Key Assessment Objectives

- Assess Metro's performance on the efficiency and effectiveness in delivering Measure M projects and programs
- Identify and evaluate any potential barriers in the delivery of the Expenditure Plan
- Identify and evaluate opportunities for process improvement
- Identify and evaluate best practices to be used going forward
- Identify and evaluate any organizational changes needed to improve coordination



Proposed Objectives and Criteria (summarized)

Financial Analysis

- Accounting of revenues and expenditures
- Initial funding assumptions
- funding sources to accomplish the Expenditure Plan

Project Delivery

- Potential risks on project deliveries that may need to be addressed in the Expenditure Plan
- Project scope, cost, and schedule related to original projections
- Developing and implementing projects and programs included in Measure M

Program Management

- Program management approach
- Progress reporting
- Change order reporting
- Staffing/resources
- QA

Compliance

- Metro's and subrecipients compliance with the Ordinance

Transparency/ Accountability /Equity

- Reporting to MMITOC has been adequate
- Purpose, functionality, and usefulness of the MMITOC
- Reporting to Metro Board
- Public Information: posting of agendas, public hearings, annual audit reports, dedicated website
- Equity and inclusion objectives

Report Timeline

February 2023: Objectives and Criteria to Metro Board

Winter 2023: Draft report development

May 2023: Update to MMITOC for feedback

June 2023: Final report to Metro Board

Thank you!



Board Report

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

Agenda Number: 12.

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

SUBJECT: FISCAL YEAR 2024 BUDGET DEVELOPMENT STATUS UPDATE

ACTION: RECEIVE AND FILE

RECOMMENDATION

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

ISSUE

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

BACKGROUND

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

The focus of this report is the following:

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

DISCUSSION

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

Development Process Update

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

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

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

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

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

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

B. FY24 Resource Assumptions

Sales Tax Revenues

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

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

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

Figure 1:

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

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

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

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

Figure 2:

Sales Tax Revenue per Ordinance Forecast Comparison

(\$ in Millions)

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

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

⁽²⁾ FY24 Assumption.

Other Resources

Toll, Advertising and Other

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

Passenger Fares

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

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

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

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

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

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

Grant Resources

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

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

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

Bond Proceeds and Prior Year Carryover

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

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

Resource Assumption Summary

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

Figure 3:

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

Note: Totals may not add due to roundings.

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

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

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

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

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

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

C. Consumer Inflation and Other Expense Assumptions

Cost Inflation Indicator - Consumer Price Index (CPI)

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

Figure 4:

Annual Change in Consumer Price Index (CPI)

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

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

⁽²⁾ FY24 Assumption.

Other Expenses

Wages and Benefits

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

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

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

D. Outreach Plan Update

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

Telephone Town Hall Meetings

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

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

My Metro Budget

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

Outreach Efforts

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

DETERMINATION OF SAFETY IMPACT

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

EQUITY PLATFORM

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

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

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

NEXT STEPS

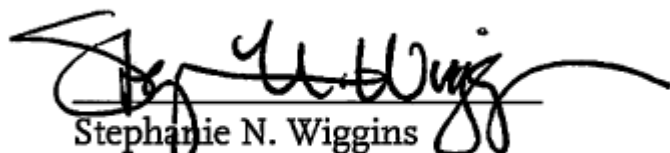
Next month's FY24 Budget process update will address Transit Infrastructure Expansion, Multimodal Highway Investments, Regional Rail, as well as Regional Allocations and Pass-Throughs.

ATTACHMENTS

Attachment A - FY24 Budget Public Engagement and Outreach Forums

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

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



Stephanie N. Wiggins
Chief Executive Officer

FY24 Budget Public Engagement and Outreach Forums

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

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

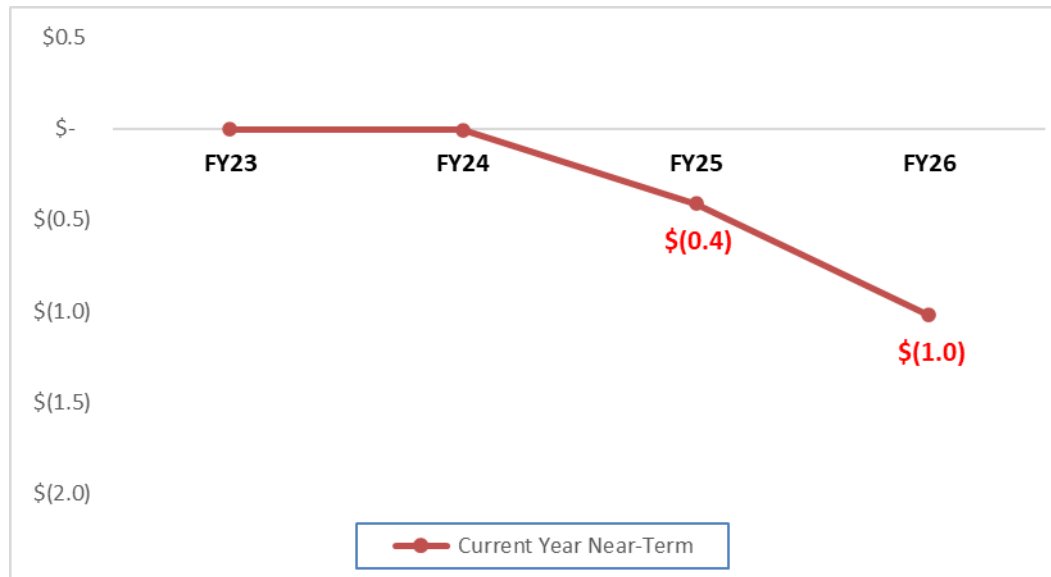
FY24 Budget Development Update

Finance, Budget and Audit Committee

February 15, 2023

Financial Outlook Challenges

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



Metro and Leading Forecasts in LA County

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

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

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

Regression Analysis Result

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



FY24 Resources Summary – Preliminary Estimate

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

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

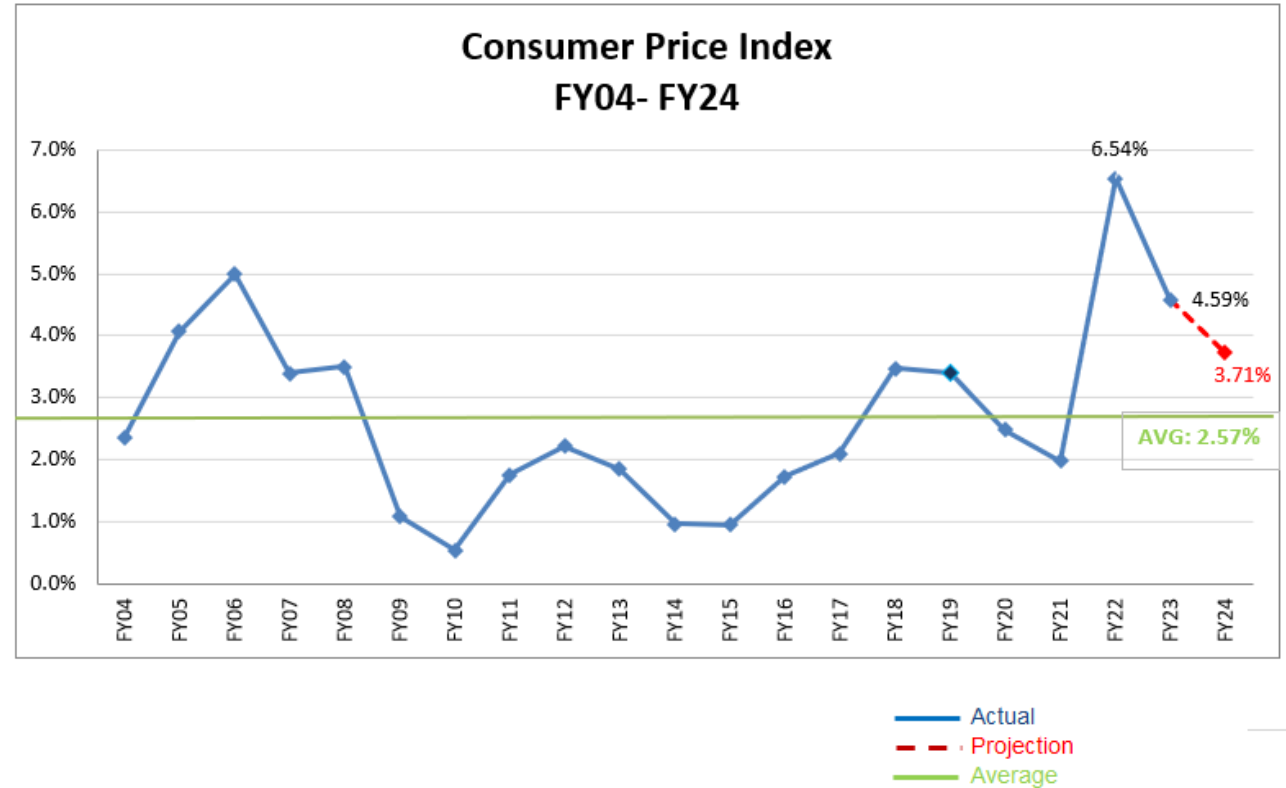


Key Considerations:

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

Cost Inflation – Consumer Price Index (CPI)

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



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

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

⁽²⁾ FY24 Assumption.

Other Expenses and Financial Risks

Collective Bargaining Agreements (CBAs)

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

Escalated Costs for Projects and Services in FY24

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

Financial Risks

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



Public Outreach & Stakeholder Engagement



October 2022

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



November 2022

- Social Media launch My Metro Budget Marketing

December 2022

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



January 2023

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



WE ARE HERE

February 2023

- Community Advisory Council - Tentative

March 2023

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



April 2023

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

May 2022

- Technical Advisory Committee
- Valley Industry and Commerce Association
- Local Transit Systems Subcommittee
- San Gabriel Valley COG
- Bus Operators Subcommittee
- Accessibility Advisory Committee
- **Budget Public Hearing**

Note: Updated as additional meetings are scheduled.



ONGOING PUBLIC PARTICIPATION

Schedule & Next Steps



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



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



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



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



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