



FISCAL YEAR 2026 BUDGET DEVELOPMENT PROCESS

February 2025 | Finance, Budget and Audit Committee



FY26 Resources Summary

**FY
26**



- FY26 Sales tax revenue increased 2.1% (\$1.048 billion to \$1.070 billion per ordinance in FY26).



- STA and SB1 will be updated in mid-February 2025.



- Passenger fares estimated at \$176.2 million (preliminary).



- Advertising revenue projected at \$41.5 million (\$11 million new TCN digital displays revenue).



- Toll and Other revenue estimates decreasing due to lower Measure W, federal CNG tax credits, and LCFS and RINS credit sales being offset by the increase in toll revenue.



- It's necessary to instill cost controls measures through EZBB and explore revenue generating opportunities as new initiatives compete for operating eligible funding.

Resources (\$ in Millions)		FY25 Reforecast	FY26 Assumption	% Change
1	Sales Tax and TDA Revenues ⁽¹⁾	\$ 4,716.0	\$ 4,815.0	2.1%
2	STA and SB1 Revenues ⁽²⁾	279.6	281.8	0.8%
3	Passenger Fares ⁽³⁾	174.6	176.2	1.0%
4	Advertising ⁽⁴⁾	27.2	41.5	52.3%
5	Toll and Other ⁽⁵⁾	169.7	164.1	-3.3%
6	Subtotal Resources	\$ 5,367.1	\$ 5,478.5	2.1%
7	Grant Resources ⁽⁶⁾	1,660.4	TBD	
8	Bond Proceeds and Prior Year Carryover ⁽⁶⁾	1,502.9	TBD	
9	Total Resources	\$ 8,530.4	TBD	



- Grant Resources: FY26 estimates are TBD
- Bond Proceeds and Prior Year Carryover:
 - Debt will be used as a last resort and will be determined as budget is developed
 - Prior year carryover will adhere to funding eligibility

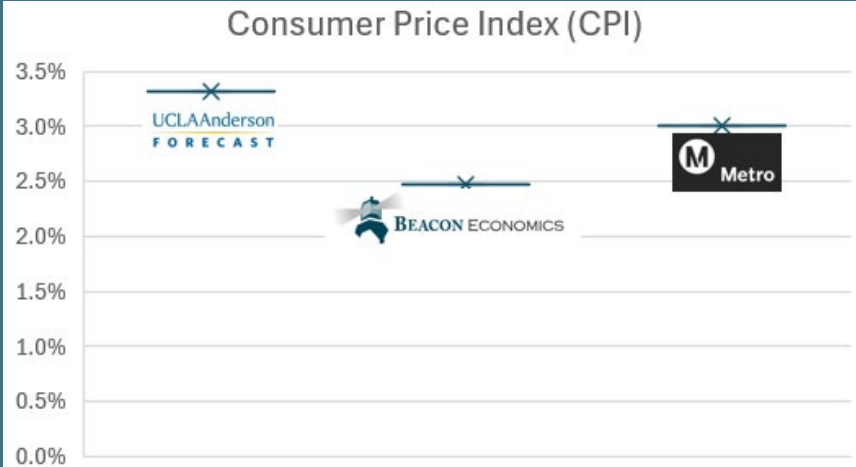
Annual Change in Consumer Price Index (CPI)

Forecast Source	FY21	FY22	FY23	FY24	FY25	FY26 Preliminary
1 Actual	3.40%	6.54%	1.98%	6.54%	2.04% ⁽¹⁾	
2 Metro	2.30%	2.00%	3.30%	3.71%	3.00%	3.00%
3 UCLA	2.19%	1.68%	3.78%	3.71%	3.82%	3.32%
4 Beacon Economics	2.30%	2.07%	3.86%	2.36%	2.32%	2.47%

⁽¹⁾ FY25 YTD Actual. FY25 Adopted Budget is 3.00%.

- Inflation cooling with further interest rate cuts expected.
- CPI impacts sales tax revenues and project delivery costs for Metro.





FY26 CPI assumption of **3.0%** is **within range** of leading forecasts.



CPI of **3.0%** is outpacing the projected sales tax revenue growth of **2.1%**



Uncontrollable

-  • Primary funding source is experiencing slow growth
-  • Federal/State grant funding impacted by new administration and growing deficits
-  • Elevated building material costs for Metro's capital projects
-  • Policy uncertainties around tariffs, taxes, and immigration

Controllable

- System-generated revenues (Fares, Advertising, Corporate Sponsorship, Tolls & Other)

Ongoing Issues

- Structural deficit stems from the imbalance between dedicated operating and capital funding available
- Not enough dedicated operating eligible funding
 - With over 130 different colors of funds, less than 15 funds sources, comprising less than 8% of total revenues, are dedicated solely for operations
- Competing priorities for flexible funding
- As we build the system out, operating-eligible funding does not increase at the same rate
- Cost of operations is rising faster than revenues

CONCLUSION

- New initiatives compete for operating eligible funding
- Necessary to instill cost controls through EZBB
- Explore revenue generating opportunities



- Launched October 31st, 2024
- Collection through May 2025



- 3,500+ Responses
- 2,900+ Unique Comments



- 53% Ride rail
- 65% Ride bus
- 69% Ride bus/rail
(1+ day per week)



- Social media
- Eblast
- Marketing cards

New Features

1

Language Translation

FY26 activity is now offered in **9** languages



2

Scenario Questions

Four new scenario questions allowing the public to help guide leadership decisions



3

Additional +/- options

More subcategories to add/subtract funds

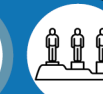


4

90+ comment options

More than 90 unique feedback categories are available





October



- Launched My Metro Budget Activity (Available in 9 languages)
 - Eblasts
 - Newsletters

November



- Regional Service Councils Meetings
 - All five regions
- Distribution of Info Cards
 - On the Move Riders
 - LIFE
 - Metro Micro

December



- Begin Social Media Campaign for My Metro Budget Activity
 - Facebook
 - Instagram
 - X (Twitter)
 - LinkedIn

January



- Distribution of Info Cards
 - Transit Ambassadors
 - Other Metro groups (ongoing)

- Telephone Town Hall on Metro's Budget (February 4, 2025)
- Continued My Metro Budget activity promotion via eblast
- Promotion to Youth Council



February

- Community Advisory Committee



March

- Regional Service Council Meetings
 - In all five regions
- Council of Government (COG) Meetings



April

- Technical Advisory Committee
- Valley Industry & Commerce Association
- Local Transit Systems Subcommittee
- Accessibility Advisory Committee
- Budget Public Hearing



May


Note: Updated as additional meetings are scheduled.



Infrastructure Planning and Construction:

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

Mar.

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

Apr.



FY26 Proposed Budget:

- Public Hearing and Board Adoption

May