



**Board Report**

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**FINANCE, BUDGET, AND AUDIT COMMITTEE  
APRIL 17, 2025**

**SUBJECT: FISCAL YEAR 2026 BUDGET DEVELOPMENT STATUS UPDATE**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

RECEIVE AND FILE the Fiscal Year 2026 (FY26) Budget Development Status Update.

**ISSUE**

This report continues a series of monthly updates on the FY26 Budget development process, culminating in a planned May 2025 Board Adoption. The report focuses on the key areas of Metro’s Transit Operations and Maintenance (O&M) Program and Transit Capital Improvement Program (CIP) to maintain transit infrastructure in a state of good repair. These two programs combined make up 37% of Metro’s total budget. The projects in these programs rely on federal funding. With the uncertainties surrounding the federal funding program, this preliminary budget assumes no changes in the availability of these funds. As more information becomes available, service delivery will continue to be the highest priority as we conduct a comprehensive assessment to evaluate funding, schedule, and scope to mitigate the impact of the potential loss of federal funds.

Additionally, an overview of Congestion Management, General Planning and Programs, and Oversight and Administration, which make up about 5% of Metro’s total budget are included to complete the program budget discussions for the FY26 Budget development process. A recap of the latest update regarding Metro’s comprehensive budget outreach efforts is also included in this report.

**BACKGROUND**

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

**DISCUSSION**

**Metro Transit Operations and Maintenance Program Overview**

Metro Transit’s Operations & Maintenance (O&M) program is committed to attracting and retaining riders by delivering best-in-class transit service that prioritizes core ridership groups like low-income and zero-vehicle households and uses the Equity Focus Communities (EFCs) Map to understand equity needs and impacts. This commitment is reflected in continued NextGen service improvements, expansion of our transit network with new rail services, enhanced customer experience, reimagined public safety, and expanded accessibility and affordability for all riders.

To achieve these goals, the FY26 Preliminary Budget for O&M is \$2.89 billion, reflecting a 5.8% increase or \$157.6 million over FY25. This budget supports 8.9 million revenue service hours (RSH) across bus and rail services, and the continuation of the Metro Micro Pilot program that provides flexible and responsive transit solutions. Additionally, the budget includes staffing increases to support new rail expansions and enhance safety, cleanliness, customer experience, and operational reliability across the system.

Figure 1:

	FY25	FY26	\$	%	% of
<b>Operations &amp; Maintenance (\$ in millions)</b>	<b>Budget</b>	<b>Preliminary</b>	<b>Change</b>	<b>Change</b>	<b>Total</b>
1 Bus	\$ 1,792.9	\$ 1,897.6	\$ 104.8	5.8%	65.7%
2 Rail	896.2	968.1	71.8	8.0%	33.5%
3 Metro Micro	42.1	23.1	(19.0)	-45.2%	0.8%
<b>4 Operations &amp; Maintenance Total</b>	<b>\$ 2,731.2</b>	<b>\$ 2,888.8</b>	<b>\$ 157.6</b>	<b>5.8%</b>	<b>100.0%</b>
<b>5 Cost per RSH</b>					
6 Bus	\$ 250.5	\$ 266.1	\$ 15.6	6.2%	
7 Rail	\$ 638.8	\$ 633.3	\$ (5.5)	-0.9%	
8 Metro Micro	\$ 155.1	\$ 91.2	\$ (63.8)	-41.2%	

Note: Totals may not add up because of rounding.

**Service Plan Assumptions**

*Bus*

The Board approved service plan serves as the foundation for estimating all costs necessary to operate the system in the upcoming fiscal year. Through NextGen, the bus service plan has been redesigned to provide an all-day, fast, frequent, and reliable network with an equity methodology placing more service in Equity Focus Communities that have historically been transit dependent.

In FY26, Metro Bus service is expected to operate 7.13 million RSH, maintaining the existing NextGen Bus Plan Service levels. Bus service also includes 7.2 thousand RSH planned for World Cup service in June 2026 which will continue into FY27. Efforts will continue to expand NextGen Bus Speed and Reliability initiatives including new bus priority lanes and transit signal priority. The continued expansion of these initiatives will be done alongside ongoing improvements to bus stops curb designs and terminals to reduce travel time and improve the rider experience.

## *Rail*

Metro's FY26 rail service levels are planned to meet current demand while expanding service to accommodate ridership growth and increase access to opportunities throughout the region. The plan includes 1.53 million rail RSH, a 17.2% increase from FY25 estimated actuals. It includes service for four light rail lines (A, C, E, K) and two heavy rail lines (B, D), with increased service on the A, B and D Lines due to system expansion of the A Line to Pomona and the first segment of the Purple (D) Line Extension to La Cienega Bl.

With the opening of the first segment of the D Line Extension, the D Line will operate a 5- minutes peak and 10-minutes off-peak service, while the B Line's service frequency will improve from 12 minutes throughout the day to 10 minutes. This will accommodate ridership growth from the D Line extension and on-going rail ridership recovery. Additionally, the plan includes improved peak weekday service frequency on the C and K Lines from 10 minutes to 8 minutes.

Metro's rail network will continue to expand in FY26 with two major Rail extensions:

- **A Line Extension** - Extending 9.2 miles from Azusa to Pomona, adding four new stations: Glendora, San Dimas, La Verne, and Pomona.
- **D Line Extension** - Extending 3.8 miles from Koreatown through Miracle Mile, adding three new stations: Wilshire/La Brea, Wilshire/Fairfax, and Wilshire/La Cienega.

Additionally, 29.9 thousand pre-revenue service hours are allocated for testing Phase I and II of the D Line Extension, ensuring smooth service integration to revenue operation.

## *Metro Micro Pilot*

Metro introduced a new Metro Micro Pilot business model featuring two separate contracts for service operations and software services to enhance control and financial sustainability. Under this model, Metro will no longer provide operators or supervisors, as staffing is included in the service operations contract. This model allows Metro to continue providing important first-last mile connections. Metro Micro service areas cover a variety of zones that all serve EFCs.

The FY26 Preliminary Budget for the Metro Micro Pilot is \$23.1 million, reflecting a \$19 million, or 45.2% decrease from FY25, driven by efficiency gains including a new delivery model contracting the operation of this service while maintaining the same geographical coverage, supporting 253 thousand RSH.

## Increased Budget Resource Allocation for Enhanced Customer Experience

### *Cleaning*

The FY26 Preliminary Budget allocates \$316.2 million for cleaning efforts, a 13.1% or \$36.6 million

increase over FY25. This funding supports 1,279 FTEs, an increase of 124 staff from FY25, dedicated to maintaining bus and rail vehicles, stations, stops, and facilities. include expanding End-of-Line (EOL) cleaning to three shifts, seven days and week, piloting a mid-line cleaning program, along with additional custodial staff to support the A and D Line expansions. Figure 2 summarizes the increases in FTEs and budget request from FY25 to FY26.

Figure 2:  
(\$ in millions)

Area	FY25	FY26	Change	%	FY25	FY26	Change	%
	FTE	FTE			Budget	Preliminary		
Buses	398	398	-	0.0%	\$ 83.6	\$ 86.4	\$ 2.9	3.4%
Trains	208	292	84	40.4%	41.5	59.4	17.9	43.2%
Facilities	127	127	-	0.0%	34.0	35.6	1.6	4.8%
Stations	389	424	35	9.0%	105.5	120.0	14.4	13.7%
Stops	23	23	-	0.0%	4.5	4.7	0.16	3.4%
Station Experience (SE)	10	15	5	50.0%	10.4	10.0	(0.4)	-3.8%
<b>Cleaning &amp; SE Total</b>	<b>1,155</b>	<b>1,279</b>	<b>124</b>	<b>10.7%</b>	<b>\$ 279.5</b>	<b>\$ 316.2</b>	<b>\$ 36.6</b>	<b>13.1%</b>

### Station Experience

The CEO-established Station Experience (SE) unit has been highly effective in reducing crime and loitering at stations. Building on this success, SE is expanding to more locations with a focus on safety, cleanliness, mini-makeovers, and customer experience enhancements. Metro remains committed to community feedback, addressing key concerns such as safety, cleanliness, improved lighting, and mobile ADA-accessible restrooms. Metro prioritizes equity in station improvement initiatives by considering impacts on marginalized communities, ensuring accessibility, and engaging advisory groups for transparency and feedback.

The FY26 Preliminary Budget allocates \$10.0 million for SE initiatives and enhancements at additional stations. It also includes an increase of 5 Full-Time Equivalents (FTEs) from the FY25 Budget, bringing the total to 15 FTEs.

See Attachment A for more details on enhanced customer experience efforts.

### Public Safety

#### Resource Deployment

One of the top priorities for Metro and our riders is safety. Metro’s Reimagining Public Safety Framework outlines a multi-layered approach to enhance public safety on the system. This multi-layered approach includes the Metro Transit Ambassadors, homeless outreach, Metro Transit Security (MTS), private security, and law enforcement.

Metro will transition 354 contracted Ambassador program staff to Metro Full-Time Equivalents and add 46 MTS Officers to cover the upcoming D Line (Purple) Subway Extension Sections 1, 2 and A Line to Pomona Extension. The five-year phased establishment of Metro’s Transit Community Public Safety Department (TCPSPD) will also begin with hiring 8 key leadership personnel and start-up

activities. The other requests allow deployment of Community Intervention Specialists (CIS) on the K Line, homeless outreach, enhanced private security and contract law enforcement services across the Metro expanding system. The preliminary budget for FY26 Public Safety Resource Deployment is \$392.5 million, a 1.9% increase from the FY25 Budget, shown in Figure 3 below.

Figure 3:

Public Safety Resource Deployment (\$ in millions)	FY25 Budget	FY26 Preliminary	\$ Change	% Change
1 Transit Ambassadors <sup>(1)</sup>	\$ 25.5	\$ 26.0	\$ 0.5	2.0%
2 Community Intervention Specialists (CIS)	9.3	9.3	-	0.0%
3 Homeless Outreach	25.3	21.5	(3.8)	-15.0%
4 Metro Transit Security (MTS) <sup>(2)</sup>	71.0	75.0	4.0	5.6%
5 Private Security	39.4	41.2	1.8	4.6%
6 Law Enforcement	214.6	214.6	-	0.0%
7 Transit Community Public Safety Department (TCPSPD) <sup>(3)</sup>	-	4.8	4.8	N/A
<b>8 Public Safety Resource Deployment Total</b>	<b>\$ 385.1</b>	<b>\$ 392.5</b>	<b>\$ 7.3</b>	<b>1.9%</b>

Note: Totals may not add up due to rounding.

<sup>(1)</sup> FY26 Budget will be updated at the conclusion of the in-house program labor negotiations.

<sup>(2)</sup> Labor related budget including salaries, fringe benefits, workers' compensation, and other indirect costs.

<sup>(3)</sup> Includes \$3M for start-up activities and \$1.8M for labor related costs in FY26.

### Public Safety Capital Projects

Metro's public safety capital budget focuses on promoting a safer environment for all riders and Metro employees by maintaining, upgrading and modernizing technology and infrastructure related to transit security. The FY26 Preliminary Budget of \$34.5 million reflects an increase of \$17.5 million over the FY25 Budget (Figure 4) and covers fencing installations and enhancements, emergency communication improvements, security technology upgrades and acquisitions.

Figure 4:

Public Safety Capital Projects (\$ in millions)	FY25 Budget	FY26 Preliminary	\$ Change	% Change
1 Union Station Fencing	\$ -	\$ 4.6	\$ 4.6	N/A
2 Metro Center Street Project (Close-out)	0.3	0.5	0.2	83.2%
3 SSLE LAUS CCTV Upgrades	0.7	0.7	-	0.0%
4 SSLE LAUS Patio Security Fence	0.7	0.7	-	0.0%
5 High-Security Fencing & Installation	-	4.5	4.5	N/A
6 CCTV Expansion	-	4.4	4.4	N/A
7 ESOC Alert Notifications	-	1.4	1.4	N/A
8 Transit Security Communication Enhancement	-	2.4	2.4	N/A
9 Faregates Pilot / TAP to Exit	15.4	-	(15.4)	-100.0%
10 Faregate Retrofit Phase 2	-	15.3	15.3	N/A
<b>11 Public Safety Capital Projects Total</b>	<b>\$ 17.1</b>	<b>\$ 34.5</b>	<b>\$ 17.5</b>	<b>102.3%</b>

Note: Totals may not add up due to rounding.

Metro Transit Capital Improvement Program (CIP) Budget

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

The CIP preliminary budget for FY26 requests \$608.8 million to maintain Metro’s bus, rail, regional, and critical information systems needed to manage and monitor system-wide performance. The budget reflects the necessary cash flow to complete FY26 milestones and deliverables. A profile of the CIP program is shown in figure 5 below.

Figure 5:

Capital Category (\$ in millions)	FY25 Budget	FY26 Preliminary	\$ Change	% Change	% of Total
1 Fleet Procurement	\$ 47.5	\$ 36.0	\$ (11.5)	-24.2%	5.9%
2 Fleet Maintenance	49.1	51.2	2.1	4.3%	8.4%
3 Facilities Improvements	48.8	89.1	40.4	82.8%	14.6%
<b>4 Bus Subtotal</b>	<b>\$ 145.4</b>	<b>\$ 176.4</b>	<b>\$ 31.0</b>	<b>21.3%</b>	<b>29.0%</b>
5 Fleet Procurement	\$ 58.5	\$ 74.6	\$ 16.1	27.6%	12.3%
6 Fleet Maintenance	94.2	106.6	12.4	13.2%	17.5%
7 Facilities Improvements	19.0	20.3	1.3	6.7%	3.3%
8 Wayside Systems	64.1	52.0	(12.1)	-18.9%	8.5%
<b>9 Rail Subtotal</b>	<b>\$ 235.7</b>	<b>\$ 253.4</b>	<b>\$ 17.7</b>	<b>7.5%</b>	<b>41.6%</b>
10 Regional and Hubs	\$ 77.9	\$ 61.4	\$ (16.5)	-21.2%	10.1%
11 Technology	69.8	66.4	(3.5)	-5.0%	10.9%
12 Non MR/MM Major Construction	39.6	36.8	(2.8)	-7.0%	6.1%
13 Non-Revenue Vehicles	8.9	14.4	5.5	61.8%	2.4%
<b>14 Other Asset Improvements Subtotal</b>	<b>\$ 196.3</b>	<b>\$ 179.0</b>	<b>\$ (17.2)</b>	<b>-8.8%</b>	<b>29.4%</b>
<b>15 Total Proposed CIP Budget</b>	<b>\$ 577.4</b>	<b>\$ 608.8</b>	<b>\$ 31.4</b>	<b>5.4%</b>	<b>100.0%</b>

Note: Totals may not add up due to rounding.

Metro will continue working toward achieving a zero-emission bus (ZEB) fleet in the coming years. This effort will require a \$3.5 billion to \$4.4 billion investment in buses and charging infrastructure. Although there is a decrease in bus acquisition expenditures this year, new ZEB acquisitions are in the pipeline and will increase as available technology and manufacturing capacity permits. A majority of the Bus Fleet Procurement, line 1 in figure 5, and Facilities Improvements, line 3 in figure 5, are dedicated to ZEB. See Attachment B for additional CIP budget details.

**Total Bus Investment**

Metro prioritizes its investments in bus services, which includes the cost of the operations, maintenance, NextGen initiatives, capital improvements, planning and construction efforts, as well as other customer experience initiatives and studies. The FY26 Budget includes \$2.47 billion in bus investments as shown in Figure 6 below.

See Attachment C for additional Bus Investment details.

Figure 6:

Bus Investments (\$ in Millions)		FY25 Budget	FY26 Preliminary	\$ Change	% Change	% of Total
1	Bus Operations & Maintenance	\$ 1,792.9	\$ 1,897.3	\$ 104.4	5.8%	76.8%
2	Bus NextGen	44.8	43.4	(1.5)	-3.3%	1.8%
3	Bus Capital Improvements	159.4	175.3	15.9	10.0%	7.1%
4	Bus Transit Construction & Planning	245.8	327.0	81.2	33.1%	13.2%
5	LIFE Program/Bus	27.1	28.8	1.7	6.1%	1.2%
6	<b>Total of Bus Investments</b>	<b>\$ 2,270.0</b>	<b>\$ 2,471.7</b>	<b>\$ 201.7</b>	<b>8.9%</b>	<b>100.0%</b>

Note: Totals may not add up because of rounding.

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

Figure 7:

Expenditures by Program Type (\$ in millions)		FY25 Budget	FY26 Preliminary	\$ Change	% Change	% of Total
1	General Planning & Programs	257.9	280.0	22.1	8.6%	3.1%
2	Congestion Management	124.4	129.9	5.5	4.4%	1.4%
3	Oversight & Administration	89.4	101.7	12.4	13.8%	1.1%
4	<b>Total</b>	<b>\$ 471.7</b>	<b>\$ 511.6</b>	<b>\$ 39.9</b>	<b>8.5%</b>	<b>5.7%</b>

### General Planning & Programming

The FY26 Preliminary Budget for General Planning & Programs (GPP) Budget totals \$280 million, an increase of 8.6% or \$22.1 million from FY25. GPP encompasses a wide range of activities that support the agency's goal of delivering improved mobility, sustainability, as well as financial and technical support to Metro's partners throughout LA County. Activities under this program include long-range and systemwide financial planning and grants management, new and enhanced transit infrastructure, various aspects of Metro's bike program, unsolicited proposals and public private partnerships (P3), sustainability, joint development efforts and Union Station upgrades. Changes in the GPP budget reflect more progress on equity outcome-driven initiatives like the Joint Development 10K housing work, additional support for the Regional grants management program, and the continuing work for the Street Safety and Transit to Parks programs.

### Congestion Management

The FY26 Preliminary Budget for Congestion Management totals \$129.9 million, an increase of 4.4% or \$5.5 million from FY25. The program consists of four major groups: ExpressLanes, Freeway Service Patrol (FSP), Motorist Services, and Rideshare Services. The expenditure increase in FY26 is mainly due to the procurement of a new ExpressLanes Back Office System to help ensure account security, system performance, and invoice accuracy.

### Oversight and Administration

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The FY26 Preliminary Budget for Oversight and Administration totals \$101.7 million, representing 1.1% of the Agency's total annual budget. This program consists of legal services, ethics compliance, internal investigations, regulatory environmental assessments as well as legally mandated financial and compliance audits. Agencywide support functions include investments in areas of customer experience to deliver transportation services for LA's key journeys as well as valuing the workforce by attracting and retaining the best employee base.

Continued investments are planned to value our workforce, which includes the Employee Engagement and Recognition Programs, Transportation School (SEED LA) and Workforce Initiative Now (WIN-LA) to create future employment opportunities in our communities. Other investments include software and hardware license renewals and maintenance support to help drive efficiency and performance.

Metro is creating a digital roadmap to enhance customer experience with our technology platforms and conducting traffic reduction study to deliver world class transportation. In addition, Metro will be enhancing the Customer Experience Plan to provide better ridership experience.

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

To ensure the FY26 Budget reflects community priorities and fosters public engagement, Metro has conducted a comprehensive and multi-faceted outreach strategy. This includes the 'My Metro Budget Activity,' a Telephone Town Hall, a dedicated Budget Portal (<https://budget.metro.net/>), targeted stakeholder meetings, and culminating in a formal public hearing. During February and March, all departments received My Metro Budget Activity input via a dashboard related to their programs and projects and incorporated the feedback into their budget development. This approach will provide Metro and the Board with critical community feedback and data to inform final budget decisions.

Throughout April and May, Metro will continue to have meetings with stakeholders to present and collect more feedback on the FY26 Budget, followed by the budget public hearing in May. Additional details on the comments received via the My Metro Budget activity and stakeholder meetings are in Attachment D.

### **DETERMINATION OF SAFETY IMPACT**

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

### **EQUITY PLATFORM**

Metro's commitment to equity is embedded in the FY26 Budget development process through the continued application of Equity Zero-Based Budgeting (EZBB). Guided by the pillars of 'Listen and Learn' and 'Focus and Deliver,' Metro is ensuring that resource allocation directly addresses the diverse needs of riders and results in meaningful outcomes that improve access to opportunity. These pillars are acted on by continuously learning from stakeholders and using needs-based analyses to develop targeted solutions to improve mobility in Los Angeles County and the surrounding region. Public feedback is meticulously documented and integrated into the budget, shaping priorities that reflect our community's values. OMB will continue to assess the budget's



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impact on equity, sustainability, safety, and ADA accessibility, ensuring our system serves all residents effectively.

In summary, this month's budget update addresses increased access to opportunities throughout the region. Leveraging the EFC map, Metro has been able to understand regional equity needs and impact for low-income and zero-vehicle households and respond to them with first last-mile and community employment initiatives. As federal funding uncertainty remains, Metro recognizes the potential for disproportionate impacts on communities. The budget will continue to prioritize investments that maintain essential service levels and ensure that funds will be distributed in a way that prioritizes the needs of the communities who are most reliant on the service.

### **VEHICLE MILES TRAVELED OUTCOME**

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.\* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

Although this item is administrative, providing an update on the development of specific parts of Metro's upcoming proposed budget, the programs discussed in this item are expected to contribute to further reductions in VMT. They support Metro's systemwide strategy to reduce VMT through expanding transit services, improving accessibility and affordability, enhancing safety and cleanliness, and improving customer experience to attract and retain riders.

The budget allocations discussed in this item will support the delivery of 8.9 million revenue service hours (RSH) across bus, rail (including two rail line extensions), and the Metro Micro Pilot project. The preliminary budget funds efforts to provide a safe, reliable, affordable and clean transit service by enhancing the customer experience, such as more frequent bus and rail cleaning, multi-layered safety initiatives, the Station Experience program, upgrades to faregates, station lighting and cleanliness, and addition of mobile public restrooms. It also provides resources for infrastructure and fleet maintenance, rolling stock upgrades, and new technology implementation, ensuring a safe, affordable, high-quality transit system that encourages ridership growth. Metro's Board-adopted VMT reduction targets were designed to build on the success of existing investments, and this item aligns with those objectives.

\*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

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

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

### **NEXT STEPS**

Staff continues to review and refine the FY26 Preliminary Budget as it advances through the process, carried out through the delivery of the Service Plan and Capital Improvement Plan, as well as planned Agency-wide initiatives. The FY26 Proposed Budget will be published on April 30, 2025. A public hearing will be held on May 15, 2025, for the Board's consideration to adopt the proposed FY26 Budget on May 22, 2025.

## **ATTACHMENTS**

Attachment A - Enhanced Customer Experience

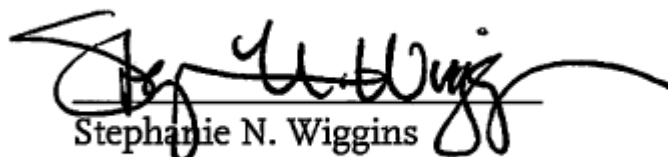
Attachment B - Metro Transit Capital Improvement Program Details

Attachment C - Total Bus Investments

Attachment D - Early, Improved & Expanded Public Engagement Update

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