



Board Report

File #: 2025-0352, **File Type:** Oral Report / Presentation

Agenda Number: 4.

INDEPENDENT CITIZEN'S ADVISORY AND OVERSIGHT COMMITTEE JUNE 4, 2025

SUBJECT: ORAL REPORT ON THE FY26 BUDGET

ACTION: RECEIVE ORAL REPORT

RECOMMENDATION

RECEIVE oral report on review of the FY26 Budget to support discussion on the effective and efficient use of funds.

ISSUE

California Public Utilities Code Section 130105 requires Metro to adopt an annual budget to manage the revenues and expenses of the Agency's projects and programs. The budget is the legal authorization to obligate and spend funds and to implement Board policy. It includes all operating, capital, planning and programming, subsidy funds, debt service requirements, and general fund activities for the fiscal year. The legal level of control is at the fund level. Total annual expenditures cannot exceed the final appropriation by the Board at the fund level except for capital expenditures, which are authorized on a life of project basis.

On April 30, 2025, the FY26 Proposed Budget was made available to the public on the Metro website, through the Records Management Center and on the plaza level of the Gateway building. On April 15, 2025, advanced public notifications of the Budget Public Hearing were issued through advertisements posted in more than ten news publications and in various languages. The Board approved the FY26 Budget at the public hearing held on May 15, 2025.

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. The Office of Management and Budget will continue to assess the budget's impact on equity, sustainability, safety, and ADA accessibility, ensuring our system serves all residents effectively.

Leveraging the Equity Focus Communities (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. Per Board Direction, the EFC Budget Assessment was introduced with the FY23 Budget. It is a geographic equity analysis to identify the extent that Metro's budget invests in EFCs, which comprise approximately 40% of Los Angeles County's population. The FY23 Budget established a baseline of 67.3% EFC Benefits. The FY26 Budget exceeds this baseline with EFC Benefits of 79.2% of the budget. 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.

ATTACHMENTS

Attachment A - FY26 Budget Presentation

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Metro Fiscal Year 2026 Proposed Budget

Independent Citizen's Advisory and Oversight Committee
June 4, 2025





Metro

One Metro

For generations of Angelenos and visitors as we welcome the world



Customer Experience

- Listen & Learn: Extensive Outreach
- Safe Metro for riders & employees
- New mid-line cleaning
- Station Experience

Multi-layered Care-based Approach to Public Safety

- Transit Ambassadors
- Crisis intervention
- Community intervention specialists
- Contract law enforcement
- Homeless Outreach
- TAP-to-Exit/Taller Faregates Pilot
- Weapons Detection Phase 2 Pilot

Ready to Welcome the World

- FIFA World Cup 2026
- First choice in transportation
- Legacy infrastructure projects
- Lasting impacts for residents & visitors

The FY26 Budget demonstrates our commitment and continued investments in Putting People First



Metro

Risks and Uncertainties

National Economy

- Tariff increases
- Market volatility
- Period of instability
- Federal Reserve to pause interest rate reductions
- Concerns of both recession & inflation
- Federal grant uncertainties impact transportation funding

Local Economy

- Recent wildfires
- Rising housing & insurance costs
- Reduced consumer spending due to lower consumer confidence
- Increased costs in non-taxable items reduces disposable income, impacting sales tax revenues

Cost Increases

- Expanding rail system
- Rising capital costs
- Labor expense
- Persistent inflationary pressures
- Preparing for mega sporting events

Resources

Expenditures



FY26 Proposed Budget reflects a \$181.0M or 2.0% increase from FY25

- Balanced Budget
- 3 Fund source categories
- 10 Program expenditure items



Metro

Transit Infrastructure Development (TID) - \$2.2B

Legacy projects to serve our communities

PLANNING

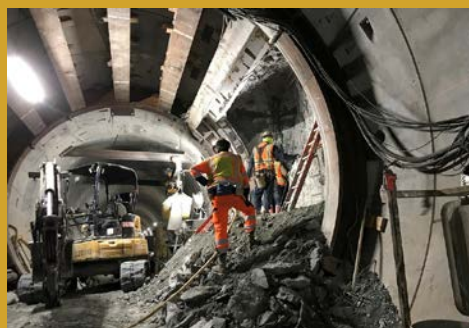
\$280.7M

| | |
|-------------------------------|---------|
| Countywide BRT Planning | \$3.5M |
| C/K Line Ext. to Torrance | \$61.0M |
| E Line Eastside LRT Phase 2 | \$87.7M |
| Eastside Access | \$0.2M |
| ESFV LRT (Shared Corridor) | \$0.7M |
| K Line Northern | \$9.4M |
| North San Fernando Valley BRT | \$0.4M |
| Rail & Bus Ops Control Center | \$17.3M |
| Sepulveda Corridor | \$76.6M |
| SGV Transit Feasibility Study | \$1.4M |
| Vermont Transit Corridor | \$22.4M |

CONSTRUCTION

\$1,810.8M

| | |
|--------------------------------|----------|
| A Line Foothill Ext. 2A & 2B | \$148.0M |
| D Line Westside Ext. | \$778.9M |
| East San Fernando Valley LRT | \$267.7M |
| G Line BRT Improvements | \$215.0M |
| NoHo to Pasadena BRT Connector | \$84.5M |
| Southeast Gateway Line | \$316.0M |



TRANSITIONAL COSTS & REVENUE READINESS

\$45.8M

| | |
|--------------------------------|---------|
| A Line Foothill Ext. 2B | \$7.2M |
| D Line Westside Ext. Section 1 | \$15.6M |



| | |
|---------------------------|---------|
| LAX/Metro Transit Center* | \$22.9M |
|---------------------------|---------|

* Contract closeout activities post opening

Reflects a \$249.4M or 12.7% increase from FY25

- Planning & Studies increases by \$65.3M (30.3%)
- Transit Construction grows by \$184.1M (10.5%)
- Support project closeout & systemwide projects: \$81.0M



Metro

Metro Transit Operations - \$2.9B

Service plans and initiatives to improve customer experience

Bus Service

\$1.9B
(+\$114.2M, +6.4%)



- Maintain existing NextGen Bus Plan service levels, continuing to expand NextGen speed and reliability initiatives

Rail Service

\$968.1M
(+\$68.9M, +7.7%)



- A Line to Pomona & D Line Section 1 extensions and improved service frequencies

Metro Micro

\$23.1M
(-\$19.2M, -45.5%)



- New Business Model: New operations and software contracts, same geographical coverage

Reflects a \$163.8M or 6% increase from FY25

- Bus system labor - largest component in bus operating (62.1% of total cost)
- Rail budget supports 1.53M rail RSH






- Metro Micro - implementing new delivery model, reducing costs by \$19.0M, while maintaining service levels



Metro

Focus on Safety – Station Experience

Putting People first with increased safety and cleanliness

| Restrooms | Elevators/Escalators | Taller Faregates Pilot | Weapons Detection Phase 2 Pilot | Lighting Retrofit |
|---|--|--|---|--|
| <p>Throne Restrooms</p> <ul style="list-style-type: none">• ADA Expansion• 50 by Summer 2026 | <ul style="list-style-type: none">• Modernization & Replacement• Open Door Cleanliness• Attendants to monitor/assist | <ul style="list-style-type: none">• LAX/Metro Transit Center• Expanded to 21 stations | <ul style="list-style-type: none">• AI powered concealed weapons detection pilot extended - 12 months | <ul style="list-style-type: none">• Improved visibility & safety |
|  |  |  |  |  |

- Continue to expand investments in faregates pilot
- Enhance CCTV system

- Implement various lighting retrofits
- Improvements to signage and wayside features throughout system

Multi-layered Care-based Public Safety

- Safety presence by continuing Transit Ambassadors
- Adding 46 Transit Security Officers
- Homeless Outreach budget : \$19.1M, a 4.4% increase
- Crisis Intervention program startup as part of the TCPSD implementation



Free & Reduced Fare Programs

- GoPass – K-14 students
- LIFE – 20-trips/month
- U-Pass – college students
- Employer pass – employee passes
- Mobility Wallet – subsidies of \$150 per month
- South LA Eco Lab Project – 6-month passes to LIFE riders in South LA



Cleaning

- Bus: Daily cleaning - 4 terminals 7-days/week
- Rail: Daily Division cleaning, 3 End-of-line (EOL) cleaning shifts, 7-days/week
- New mid-line cleaning: trains cleaned while in service
- Stations: Rail custodial staff @ 17 Hot Spots
- Facilities: Graffiti control, power sweeping, trash removal



- 13% increase to continue to make improvements on cleaning efforts
- Expanding outreach on GoPass and LIFE programs



Metro

Capital Improvement Program (CIP) - \$608.8M

Serving riders with transit options that are sustainable, reliable, and innovative

Bus

\$176.4M

(+31.0M, +21.3%)



Bus Zero Emissions Buses (ZEB): continue procurement of buses (\$35.0M) & infrastructure (\$57.2M)

Rail

\$253.4M

(+\$17.7M, +7.5%)



Rail Cars: \$181.2M in new vehicles & existing vehicle refurbishment

Other Asset Improvements

\$179.0M

(-\$17.2M, -8.8%)



Customer Experience: \$19.2M customer experience tech enhancements

Reflects a \$30.4M or 5.3% increase from FY25

- CIP focuses on maintaining, upgrading, & modernizing assets to ensure equipment & peripheral systems to provide reliable & high-quality service
- \$608.8M allocated for maintaining system in a state of good repair, for improvements, & modernization

Local Return, TDA 3 & 8 : \$844.8M (-\$76.6M, -8.3%)



- Allocations to 88 cities & LA County for transit & mobility improvements
- Local Return – Prop A & C Measure R & M
- TDA Articles 3 & 8

Regional Transit : \$761.8 (-\$44.0M, -5.5%)



- Municipal & Local Operator's funds
- Access Services (+7.5%)

Major Projects : \$72.4M (-\$138.6M, -65.7%)



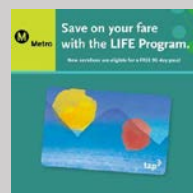
- Alameda Corridor East Phase II
- Antelope Valley Metrolink Line
- Inglewood Transit Connector
- Sankofa Park

Other Local Programs : \$76.3M (-\$5.4M, -6.6%)



- Call for Projects
- Active Transportation & Transit
- Congestion Reduction Toll Revenue Grants
- Federal Pass-Throughs
- Transit Oriented Development Grants

Fare Assistance (LIFE) : \$36.4M (+\$2.1M, +6.1%)



- Low Incomes Fares is Easy (LIFE) Program

Regional Fed. Grants : \$21.8M (-\$2.0M, -8.4%)



- Job Access Reverse Commute (JARC)
- New Freedom Program
- Section 5310
- Surface Transportation Program – Local Exchange

Reflects a \$264.4M or 12.7% reduction from FY25

- Sales Taxes: FY26 projected lower than FY25
- Major Projects: Allocations decreased due to completion of projects



Metro

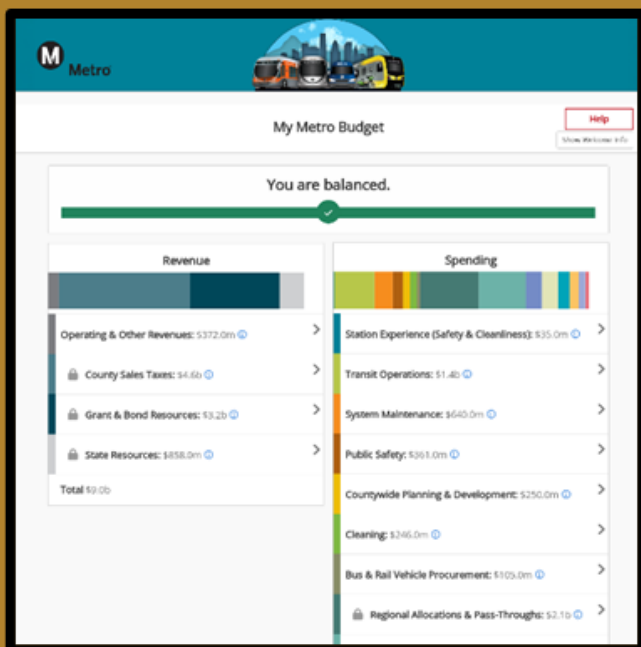
Other Programs - \$1.9B

Serving transit needs of communities across LA County

| Highway Multimodal Development \$626.7M | Regional Rail \$119.0M* | General Planning & Programming \$280.0M | Oversight & Admin \$101.7M | Debt Program \$481.8M | Congestion Management \$129.9M |
|--|--|---|---|---|--|
| <ul style="list-style-type: none">• Reflects a \$55.1M or 8.1% reduction from FY25• Decreasing due to project schedules and project phasing• Bus investments up 200% from FY24• New Bus Priority Lanes & Transit Signal Priority• Expand NextGen speed & reliability initiatives | <ul style="list-style-type: none">• Reflects a \$61.9M or 108.4% increase from FY25• Double Tracking & Grade Separation transitioning to construction phase• FY26 Metrolink budget * (<i>PENDING APPROVAL</i>) | <ul style="list-style-type: none">• Reflects a \$20.5M or 7.9% increase from FY25• Mobility initiatives and other programs reported in four major categories:• \$99.1M - Active Transportation, Bike & Other• \$87.6M - Property Management• \$51.5M - Financial, Grants Mgmt & Admin• \$41.8M - Unsolicited Proposals, P3 & Other | <ul style="list-style-type: none">• Reflects a \$11.6M or 12.8% increase from FY25• \$65.2M - Recurring Activities• \$25.3M - Valuing Workforce• \$11.3M - Customer Experience | <ul style="list-style-type: none">• Reflects a \$16.5M or 3.3% reduction from FY25• Debt Service Costs for bonds are issued to advance major capital investment projects | <ul style="list-style-type: none">• Reflects a \$5.3M or 4.3% increase from FY25• Express Lanes: Procuring a new Back Office System (BOS)• Freeway Service Patrol: Service reductions on select routes• Motorist Services: Increased costs for RIITS and LA SAFE• Rideshare Services: Minor decrease due to savings in services, outreach, and program support |

* Metrolink's FY26 Proposed Budget is preliminary, pending the transmittal of Metrolink's official budget request.

My Metro Budget Activity



- 50% EFC
- 44% Income <\$25,000
- 39% Hispanic
- 72% Ride 1+ day/week



6,400+ Respondents & 4,300+ Written Comments
Collection Period: October 2024 – May 2025

Summary

| | |
|---|--|
| Telephone Town Hall – February 4, 2025 | >2,100 listeners including 121 Spanish listeners |
| My Metro Budget Activity (https://mybudget.metro.net) | >6,400 responses >4,300 comments >30,000 QR Info cards |
| Community Based Organizations | 392 reached, 7 responded, 1 committed |
| Email Blasts/Community Newsletters | >15 |
| Social Media Platforms | 5 – Facebook, Instagram, X, LinkedIn, NextDoor, The Source/El Pasajero |
| Newsprint Publications – Public Hearing Announcement | 20 newsprint agencies |
| Stakeholder & Public Engagement Meetings | 25 |

- Base participation of My Metro Budget Activity increased from FY25 (+2,200 responses)
- ICMA Voice of the People Award Recipient
- Utilized a variety of marketing methods

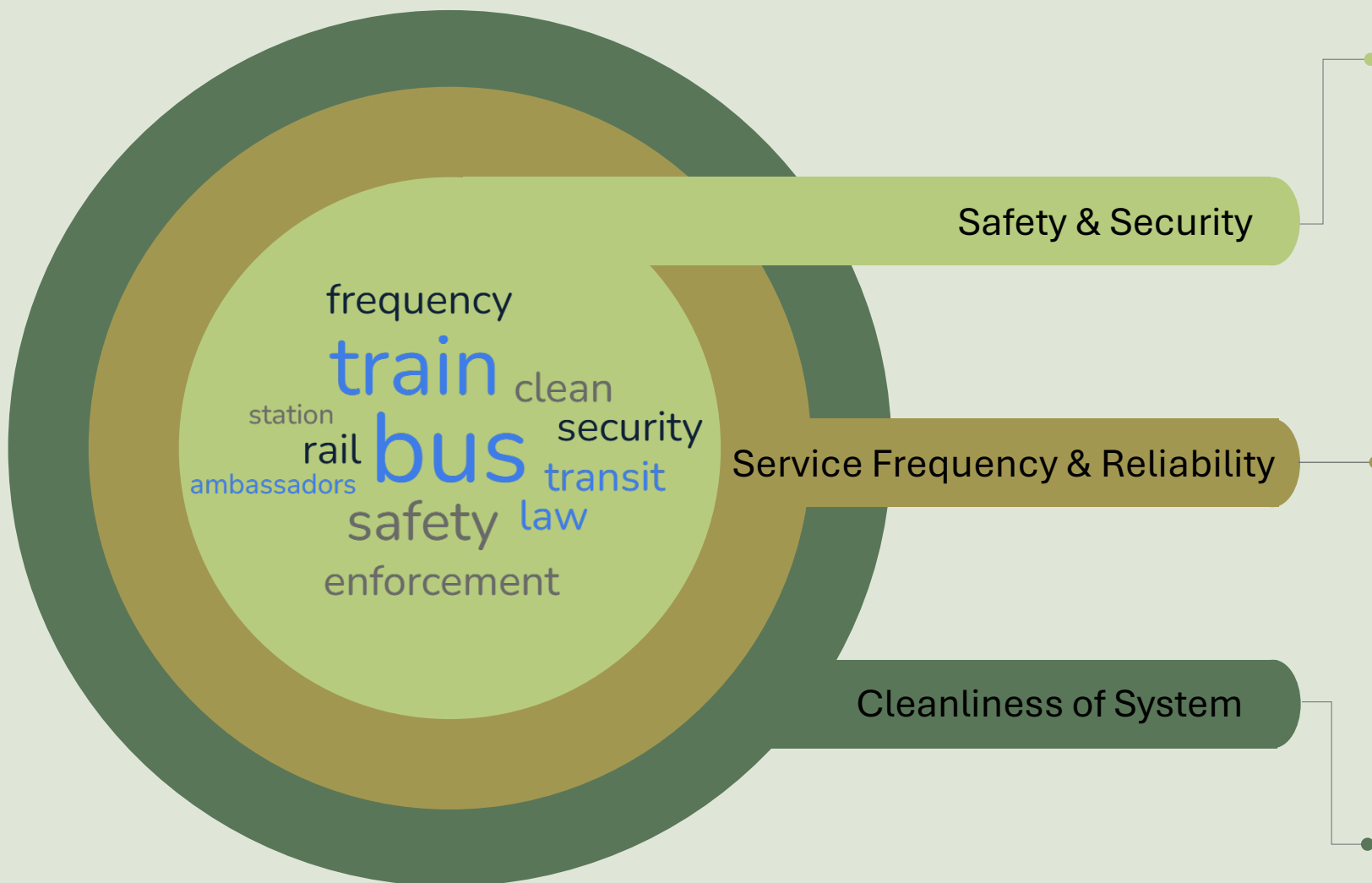
- Introduced language translation feature (9 languages)
- First year utilizing CBO database



Metro

What We Heard/What Metro is Doing in FY26

Improving the Customers' Experience



Safety & Security

- \$392.5M budget for public safety resource deployment
- Reflects \$13.3M or 1.9% increase from FY25
- Includes multi-layered approach:
 - Transit Ambassadors
 - Community Intervention Specialists
 - Transit Community Public Safety Department transition

Service Frequency & Reliability

- \$2.8B budget for Operations & Maintenance.
- Reflects \$157.6M or 5.8% increase from FY25
- Maintain existing NextGen service levels
- Expand NextGen speed & reliability initiatives
- Improved rail service frequencies

Cleanliness of System

- \$316.2M budget for cleaning initiatives
- Reflects \$36.6M or 13.1% increase from FY25
- Includes \$10.0M for Station Experience Program
- 34 new custodial staff & 86 new service attendants
- New mid-line cleaning: trains cleaned while in service