



Board Report

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Agenda Number: 13.

**FINANCE, BUDGET, AND AUDIT COMMITTEE
FEBRUARY 19, 2026**

SUBJECT: FISCAL YEAR 2027 BUDGET DEVELOPMENT PROCESS: RESOURCES AND PARAMETERS

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE the Fiscal Year 2027 (FY27) Budget Development Process: Resources and Parameters.

ISSUE

This report sets up the economic context for the upcoming fiscal year with the forecast of sales tax revenues and other resources, cost inflation and other financial risks. A comprehensive and transparent public outreach program runs concurrently during the budget development process to maximize public input and ensure that Metro’s stakeholders have an active role.

Staff will collaborate closely with the Board to ensure alignment on funding priorities and financial strategies during the budget development process. This partnership will be reinforced through monthly program reviews, enabling Metro staff to continuously reassess needs, optimize spending, and uphold budgetary balance.

BACKGROUND

The first phase of the FY27 Equitable Zero-Based Budget (EZBB) process began with the Near-Term Outlook Update and analysis of cost growth drivers in January 2026.

Resource projections lay the foundation for the financial framework that guides our fiscal planning. This report outlines the budget development parameters, incorporating key assumptions related to the sales tax forecast, operating revenues, grants, bond proceeds, and prior-year carryover. These assumptions will guide the determination of available resources for eligible projects and programs in FY27.

DISCUSSION

Staff is committed to maximizing the use of revenues for all programs, based on each of the

ordinances that govern the eligibility and use of funds. However, the most critical step is to develop accurate projections of sales tax revenues.

Sales Tax Revenues

Sales taxes are the primary revenue sources for Metro, representing over half of the total annual resources. Metro's local sales tax ordinances (Proposition A, Proposition C, Measure R, and Measure M) have voter approved directives on how each sub-fund should be spent, which determines the funding available for programs. Metro utilizes multiple modeling approaches and sources to estimate sales tax revenues.

FY26 Sales Tax Update

Metro monitors actual monthly sales tax receipts from the California Department of Tax and Fee Administration (CDTFA). Staff reevaluates the validity of the current adopted budget with year-to-date actual receipts and reforecast as necessary. The estimated actuals are used as the base for the FY27 preliminary sales tax revenue projections.

The FY26 year-to-date actual receipts, from July to November 2025, are \$432.2 million per ordinance. The recent 43-day (October 1 to November 12, 2025) Federal government shutdown likely disrupted the second quarter's receipts, but the impact is expected to be temporary with the losses recouped once public benefits resumed and federal workers returned to work. Historically, the sum of the first five-month actuals accounts for roughly 40% of the year-end total. We anticipate this trend will continue and the year-end receipts are projected to be close to budget (\$1,070.0 million per ordinance).

Economic Sector Model

During the pandemic, Metro staff developed an economic sector model to isolate and evaluate local sales tax impacts of changes in specific sectors of the economy. A list of the sector breakdowns is given in Attachment A. This model continues to be a valuable tool in refining the agency's annual budget projections. The FY27 sales tax revenue assumptions considered the following external factors:

- **Muddled local economy:** While a few high productivity sectors like aerospace and healthcare continue to expand, the region faces significant headwinds from very low job growth, persistent affordability issues, and federal policy shifts regarding tariffs and immigration.
- **Consumer spending:** Overall spending has remained flat for the last two years but is expected to begin rising in FY27.
- **Spending mix transition:** Non-taxable spending categories such as housing, insurance, health care, and services continue taking up a greater share of spending, eroding disposable income spent on taxable sales.
- **Increasing consumer debt:** Growth in debt and delinquencies continues to impede the growth of disposable income in the near term.
- **Electric vehicle (EV) trends:** EV sales are increasing at a slower rate now, but they continue to grow as a percentage of total cars in the region. This will continue to put downward

pressure on gasoline sales tax revenue growth.

- **Wildfire impacts:** While reconstruction, repair, and replacement activities due to the 2025 wildfires appear to have shifted some spending into categories such as building materials and furnishings, the net impact on regional sales tax revenues is marginal.
- **World Cup impacts:** The eight FIFA World Cup matches are expected to contribute \$8.3M in additional revenues through Metro’s four local sales tax ordinances. These funds will be part of Metro’s overall sales tax revenues, spread throughout all funding categories (local return, transit and highway capital, bus and rail ops, etc.) and subject to the usual eligibility restrictions. The majority of this is included as part of the current fiscal year budget assumption.

Multiple Regression Model

Metro staff also developed a statistical multiple regression model to validate the economic sector model results. This model determines the correlations between sales tax revenues and other independent variables such as unemployment rate, CPI, and personal income in Los Angeles County, and derives a formula using historical data to make future projections.

FY27 Preliminary Sales Tax Assumption

The forecasting models indicate a gradual economic recovery and moderate sales tax revenue growth in the upcoming fiscal year, projected at \$1,089.0 million per ordinance, an increase of 1.8% over the FY26 Budget of \$1,070.0 million. Figure 1 displays Metro’s historical sales tax revenue actuals, the FY26 Budget and the FY27 preliminary sales tax revenue assumption.

Figure 1:

	FY24 Actual	FY25 Actual	FY26 Budget	FY27 Preliminary
1 Sales Tax Revenue per Ordinance ⁽¹⁾	\$ 1,093.0	1,080.0	\$ 1,070.0	\$ 1,089.0
2 % Change	-1.7%	-1.2%	-0.9%	1.8%

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

Figure 2 compares Metro’s historical and current budget estimates to actual receipts and leading regional forecasts. FY27 sales tax revenue projections from UCLA Anderson, Beacon Economics and Muni Services are between \$995.9 million to \$1,127.2 million per ordinance, and Metro’s preliminary assumption of \$1,089.0 million falls within range.

Figure 2:

Sales Tax Revenue per Ordinance Forecast Comparison

Forecast Source (\$ in Millions)	FY24	FY25	FY26	FY27 Preliminary
1 Actual	\$ 1,093.0	\$ 1,080.0	\$ 1,042.3 - 1,109.5 ⁽¹⁾	N/A
2 Metro- Adopted	1,200.0	1,156.0	1,070.0	1,089.0 ⁽²⁾
3 UCLA	1,103.8	1,144.4	1,103.3	1,098.6
4 Beacon Economics	1,091.7 - 1,232.4	1,011.0 - 1,082.2	1,032.3 - 1,109.7	995.9-1,076.6
5 Muni Services	1,145.1	1,099.7 - 1,203.3	1,020.9 - 1,056.2	1,091.7-1,127.2

⁽¹⁾ FY26 Estimated Actual range.

⁽²⁾ FY27 preliminary assumption.

Other Resources

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 FY27 preliminary assumption of \$271.3 million will be revised in late February 2026 to reflect the State Controller’s Office (SCO) FY27 allocations.

Passenger Fares

FY27 fare revenue projections are still under development and are based on recent ridership and fare revenue trends. While ridership is expected to increase with the opening of new rail extensions, including the D Line, and continued system enhancements, fare revenue is expected to remain constrained due to increased utilization of free and reduced-fare programs such as Low-Income Fare is Easy (LIFE), Fare Capping, and GoPass.

- LIFE Program: Offers free monthly 20-trip passes and free 90-day passes for new enrollees.
- Fare Capping: Limits daily and weekly fares, allowing additional trips at no cost once the cap is reached.
- GoPass: Provides unlimited free rides for K-14 students.

Fare per boarding and projected ridership are used to estimate fare revenues. Staff are finalizing the FY27 analysis using updated ridership forecasts from Operations, refined average fare assumptions, and observed impacts of fare policies and programs. Along with growth in GoPass usage, the expansion of the LIFE program increased ridership by 21% over last year and contributed to a lower average fare per boarding. Based on five months of collected data and an assumed 6% ridership increase over estimated year-end actuals, preliminary FY27 passenger fare revenues are projected to range from \$141.0 million to \$158.0 million.

Advertising

The total FY27 advertising revenue is projected at \$32.0 million. Advertising revenue from bus and

rail is estimated at \$27.0 million, based on the adjusted minimum annual guarantee (MAG) payments resulting from the advertising contract modifications approved by the Board in March 2023. While the Bus Advertising contract assumes 2,100 buses are available for advertising, historical bus assets as well as the FY26 Budget have only accounted for approximately 1,686 buses. Consequently, FY27 bus MAG revenue projections have been reduced to reflect the number of assets in service. Staff are actively working on advertising opportunities for the 2027 Super Bowl and 2028 Olympic and Paralympic Games.

The new Transportation Communication Network (TCN) project will establish a network of digital transportation communication displays that will create a connected communication system by utilizing outdoor advertising infrastructure on Metro's property throughout the City of Los Angeles. TCN's net revenue will be split 50/50 between the City of Los Angeles and Metro. The project is estimated to generate \$4.9 million for Metro in FY27.

Toll and Other

Toll revenues are projected to be \$107.0 million in FY27, primarily from ExpressLanes usage and fees of the existing I-10 and I-110. Other revenues include bike program, Union Station, park-and-ride facilities, leases, film permits, Service Authority for Freeway Emergencies (SAFE), auto registration fees, transit court fees, Measure W, Low Carbon Fuel Standard (LCFS), and Renewable Index Numbers (RINs) credit sales, investment income, and other miscellaneous sources. Collectively, these revenues are projected to total \$69.1 million in FY27.

Grant Resources

Local, state, and federal grant resources are used to support Metro's transit planning, operating, State of Good Repair, and construction activities. Grant revenue projections are still being developed and will be finalized at a later point in the budget development process.

The grant outlook for FY27 is uncertain, particularly at the federal level. The state has its own budgetary issues as well. The Governor's recently released proposed budget maintains all one-time transportation investments included in last year's Budget Act. However, it is silent on the state's commitment to the SB125 program.

Federal grants include Federal Transit Administration (FTA) formula grants, Capital Investment Grants for new transit project construction, and a variety of other discretionary grant programs - including but not limited to - Bus and Bus Facilities and Low or No Emission grants programs. The nature of federal formula programs and discretionary grants is likely to change as Congress prepares to craft a new surface transportation authorization bill to replace the Bipartisan Infrastructure Law (P.L. 117-58) that expires in Fall 2026.

State grants include State of Good Repair and other discretionary grants funded through Senate Bill 1 (SB1). Senate Bill 125 (SB125) amended the 2023 Budget Act to provide new funding through the Transit and Intercity Rail (TIRCP) program and a new Zero-emission Bus (ZEB) program. SB125 funds will be included in the proposed FY27 Budget.

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

Measure R and M programs.

Bond Proceeds and Prior Year Carryover

Debt issuance is authorized under applicable federal and state legislation, as well as local sales tax ordinances. The Board-adopted Debt Policy establishes parameters for the issuance and management of debt, consistent with best practices and defined 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 FY26, \$2,412.9 million in debt proceeds and prior year carryover are available to support transit expansion, highway, State of Good Repair, and Transit Improvement/Modernization projects. The debt and carryover amount for FY27 will be determined upon finalization of the FY27 expense budget and are subject to CEO approval.

Resource Assumption Summary

Referring to Figure 3, sales tax and Transportation Development Act (TDA) revenues are projected to increase conservatively at 1.8%. Line 6 represents a total increase of 1.4% in overall resources, excluding grant resources, bond proceeds, and prior year carryover.

Figure 3:

Resources (\$ in Millions)	FY26 Adopted	FY27 Preliminary	% Change
1 Sales Tax and TDA Revenues ⁽¹⁾	\$ 4,815.0	\$ 4,900.5	1.8%
2 STA and SB1 Revenues	260.2	271.3	4.3%
3 Passenger Fares ⁽²⁾	174.7	150.5	-13.9%
4 Advertising ⁽³⁾	41.5	32.0	-22.8%
5 Toll and Other ⁽⁴⁾	164.1	176.0	7.3%
6 Subtotal Resources	\$ 5,455.4	\$ 5,530.4	1.4%
7 Grant Resources ⁽⁵⁾	\$ 1,586.3	TBD	
8 Bond Proceeds and Prior Year Carryover ⁽⁵⁾	2,412.9	TBD	
9 Total Resources	\$ 9,454.6	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.

⁽²⁾ FY27 Preliminary Fare revenue projection of \$150.5 million represents the midpoint range from \$141.0 million to \$158.0 million based on actuals.

⁽³⁾ The MAG is based on contract modifications approved by Metro Board in March 2023. MAG Bus and Rail advertising revenue is projected at \$27.0 million, 11.5% decrease over the FY26 Budget due to an estimated decrease in Bus MAG revenue to better reflect the number of assets in service.

⁽⁴⁾ FY27 Toll and Other revenue estimates are projected at \$176.0 million due to increased LCFS sales, utility rebate, and EV chargers & usages. Investment income and Union Station revenues assume a slight increase from the FY26 Budget.

⁽⁵⁾ The estimates for FY27 Grants, Bond Proceeds and Prior Year Carryover will be updated when information becomes available.

Consumer Inflation and Other Financial Risks

Cost Inflation Indicator - Consumer Price Index (CPI)

On the expense side, Metro program cost and cash flow requirements are impacted by cost inflation, labor contract agreements, and program guidelines. The most common indicator of cost inflation is the CPI as published by the Bureau of Labor Statistics.

Historical trends, policy uncertainties, leading regional forecasts as well as other prevailing economic conditions are considered when estimating cost inflation. The FY27 CPI growth is projected to remain above the Fed’s 2% target and between UCLA and Beacon Economics’ projections at 3.0% (Figure 4) due to tariffs and strong consumer demand for essentials. Metro staff 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	FY23	FY24	FY25	FY26	FY27 Preliminary
1	Actual	5.4%	3.2%	3.1%	2.2% ⁽¹⁾	N/A
2	Metro	3.3%	3.7%	3.0%	3.0%	3.0%
3	UCLA	3.8%	3.7%	3.8%	3.3%	3.8%
4	Beacon Economics	3.9%	2.4%	2.3%	2.5%	2.5%

⁽¹⁾ FY26 YTD Actual. FY26 Adopted Budget is 3.0%.

Other Financial Risks

Los Angeles County continues to trail other Southern California counties, such as Riverside and Orange Counties, in terms of sales tax growth. Metro faces uncertainty in sales tax revenue growth which is directly impacted by population, employment and consumer spending patterns. Out-migration primarily due to high costs of living has reduced the county’s net population 1.5% since 2020 and 0.3% in the past year. Persistent high housing costs, surging prices in insurance, healthcare, groceries, education and other non-taxable services, as well as increasing consumer debt and loan delinquencies continue to erode consumers’ purchasing power for taxable goods.

The uncertainty over grant funding discussed earlier is another concern that Metro faces. The grant process is getting tighter and more competitive as the federal and state governments explore ways to mitigate shortfalls and more transit agencies pursue external funding sources.

These challenges, combined with increasing operating expenses, elevated building material costs for Metro’s capital projects, limited operating eligible dollars, funding restrictions, potential future federal government shutdowns, geopolitical instability, and other monetary and fiscal policy uncertainties, have specific financial implications to the available funding for FY27.

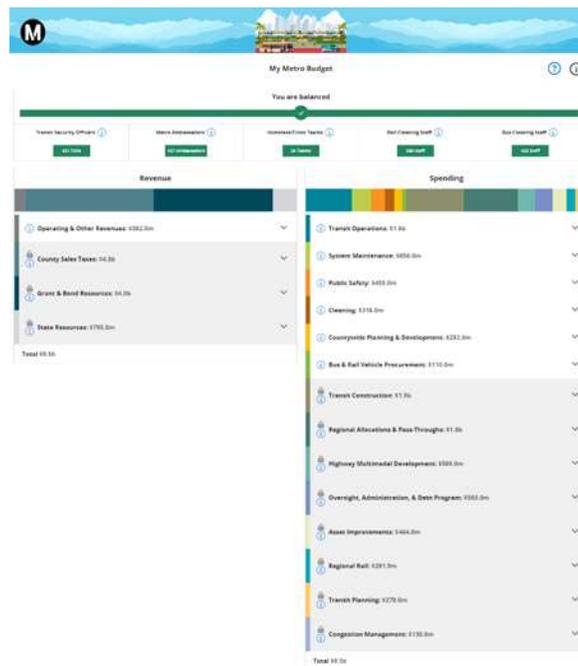
Early and Expanded Public Outreach and Engagement

Metro is committed to transparency with its riders, the public, and key stakeholders. Continuing the My Metro Budget Activity to engage the broader community, OMB launched the new My Metro Priorities to engage riders under the age of 18. Progress and updates on these outreach efforts are provided below and will be provided each month. Attachment B provides details on outreach forums and other information.

FY27 My Metro Budget Activity

The My Metro Budget Activity, a multi-award-winning initiative, advances education and transparency around Metro’s budget. Most recently honored by the International City/County Management Association (ICMA) in October 2025 with the Best in Governance Award in the “Trust Through Transparency” category, the program has also been recognized by the ICMA with the Voice of the People (VOP) Award for Excellence in Budget and Finance. Together, these distinctions underscore Metro’s commitment to meaningful community engagement and data-driven decision-making. The FY27 Activity launched in November 2025 can be accessed at <https://mybudget.metro.net/online>. Below is a summary of new tactics and features pertaining to the Activity.

FY27 My Metro Budget Activity - New Tactics and Features

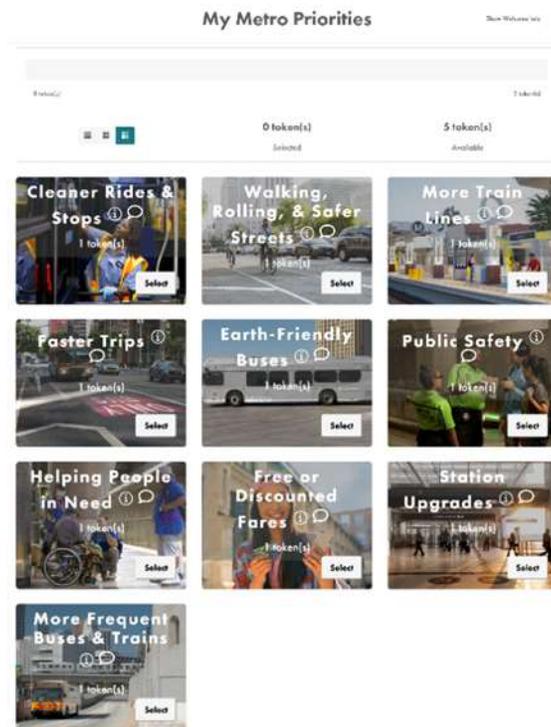


Metro continues to refine and enhance the budget activity by integrating public feedback and leveraging new technological advancements. The updated approach includes the following new features and strategies:

- A welcome video featuring CEO Wiggins to better engage the public.

- Three new scenario questions pertaining to retail amenities, code of conduct enforcement, taller faregates, and Joint Development policy.
- View staffing impacts of budget changes in real time with the “Impacts” feature.

Youth-Focused Outreach - My Metro Priorities



In response to the Board’s directive to strengthen engagement with people under the age of 18, OMB staff have developed a new, easy-to-use tool called *My Metro Priorities*. The interactive tool takes approximately 3-5 minutes to complete and offers participants the chance to win a \$50 gift card. *My Metro Priorities* was launched in early September at the Metro Youth Council Summit, marking the start of a broader youth engagement effort. Ongoing promotion will continue through targeted social media campaigns and collaboration with Metro programs and partners that serve youth audiences including the SEED School, Transportation Career Academy Program (TCAP), GoPass, Youth Council, Women & Girls Governing Council (Girls Empowerment Summit), and others. *My Metro Priorities* is available at <https://mybudget.metro.net/prioritize>.

As in previous years, feedback collected through this process will be shared with Metro departments beginning in January and will serve as input in developing the FY27 Budget.

Updates on outreach initiatives will be provided via the Budget Portal at: <https://budget.metro.net>.

DETERMINATION OF SAFETY IMPACT

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

EQUITY PLATFORM

As Metro advances the development of the FY27 Budget, the Agency's steadfast commitment to equity continues to guide its financial strategies, investment decisions, and policy implementation. Guided by Metro's Equity Platform Framework, the FY27 Budget process prioritizes equitable outcomes for everyone while addressing key organizational priorities such as public safety, system cleanliness, system expansion, labor equity, and environmental sustainability. The overarching goal is to deliver a transit system that is efficient, safe, inclusive, and equitable for all Los Angeles County residents and riders.

Metro's EZBB process has been further refined to integrate budget equity tools that strengthen data-driven decision-making. Through the Agencywide Budget Equity Assessment (ABEA) Project, Metro has improved both the procedural and distributional equity aspects of its budgeting framework, expanding analysis beyond geographic proximity or direct impacts to Equity Focus Communities (EFCs).

Metro will continue to conduct EFC Budget Assessments for FY25 and FY26 Actuals and report on the outcomes as we transition to the new EBA. Staff are currently working with departments to refine the data collection and analysis mechanisms, and enable continued quantitative tracking, year-over-year analysis, performance monitoring, and transparent reporting.

VEHICLE MILES TRAVELED (VMT) 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.

As part of these ongoing efforts, this item is expected to contribute to further reductions in VMT. This item supports Metro's systemwide strategy to reduce VMT through investment activities that will improve/benefit and further encourage transit ridership, ridesharing, and active transportation. While this item does not directly encourage taking transit, sharing a ride, or using active transportation, it is a vital part of Metro operations, as it provides economic context for the upcoming fiscal year ensuring alignment on funding needs and priorities. Because the Metro Board has adopted an agency-wide VMT Reduction Target, and this item supports the overall function of the agency, this item is consistent with the goals of reducing VMT.

*Based on population estimates from the United States Census and VMT estimates from the highway performance monitoring system data between 2001-2019.

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 update on the FY27 Budget process will provide an in-depth review of Infrastructure Planning and Construction, with particular emphasis on Transit Infrastructure, Multimodal Highway Investments, Regional Rail initiatives, and Regional Allocations and Pass-Through funding.

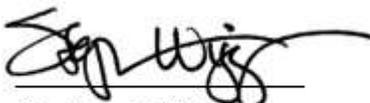
ATTACHMENTS

Attachment A - Economic Sector Model

Attachment B - FY27 Proposed Budget - Online Engagement Results and Community Outreach

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Economic Sector Model

Metro's Economic Sector model categories and estimated percentages of local sales tax receipts in FY26 and FY27.

	Economic Sector and Sub-Sector	Percentage of Sales Tax Revenues	
		FY26	FY27
1	General Retail	30.0%	30.0%
2	Apparel Stores	5.2%	5.2%
3	Department Stores	6.9%	6.8%
4	Furniture/Appliance Stores	3.0%	3.0%
5	Drug Stores	0.9%	0.9%
6	Recreational Product Stores	0.6%	0.6%
7	Florists/Nurseries	0.3%	0.3%
8	Online Sales and Miscellaneous Retail	13.1%	13.1%
9	Food Products	20.8%	20.8%
10	Restaurants	15.6%	15.7%
11	Food Markets	3.9%	3.9%
12	Liquor Stores	0.7%	0.7%
13	Food Processing Equipment	0.6%	0.6%
14	Transportation	18.4%	18.4%
15	Auto Parts/Repairs	2.5%	2.5%
16	Auto Sales - New	8.6%	8.6%
17	Auto Sales - Used	1.1%	1.1%
18	Service Stations	5.7%	5.7%
19	Miscellaneous Vehicle Sales	0.4%	0.4%
20	Construction	8.7%	8.8%
21	Building Materials - wholesale	5.3%	5.3%
22	Building Materials - retail	3.5%	3.5%
23	Business To Business	18.4%	18.4%
24	Office Equipment	2.6%	2.6%
25	Electronic Equipment	1.0%	1.0%
26	Business Services	1.5%	1.5%
27	Energy Sales	1.4%	1.4%
28	Chemical Products	0.8%	0.8%
29	Heavy Industry	3.2%	3.2%
30	Light Industry	4.3%	4.3%
31	Leasing	3.4%	3.4%
32	Biotechnology	0.1%	0.1%
33	I.T. Infrastructure	0.2%	0.2%
34	Green Energy	0.0%	0.0%
35	Miscellaneous	3.6%	3.6%
36	Health & Government	1.5%	1.5%
37	Miscellaneous Other	2.1%	2.1%

FY27 Proposed Budget - Online Engagement Results and Community Outreach

Responses collected between September 13, 2025 and January 21, 2026 on the FY27 Proposed Budget have an emphasis on results from Metro's web-based engagement activities including the My Metro Budget Activity and My Metro Priorities tools. The My Metro Budget Activity has received over 2,600 responses, My Metro Priorities has received over 580 responses, with a total of over 3,250 unique comments across the platforms. This attachment also highlights input gathered through additional outreach efforts, such as Regional Service Council briefings and other public forums.

My Metro Budget & Priorities – Quantitative & Qualitative Results Dashboard

Comment analysis continues to be enhanced with AI by identifying common topics and sentiment. Quantitative results focus on year-over-year (YoY) trends, highlighting changes in key metrics to track progress and performance over time. Together, the analysis of both qualitative feedback and quantitative trends will be compiled into an internal dashboard that equips departments with actionable insights that will be used to guide strategic planning and inform FY27 budget decisions.

Other Outreach Forums

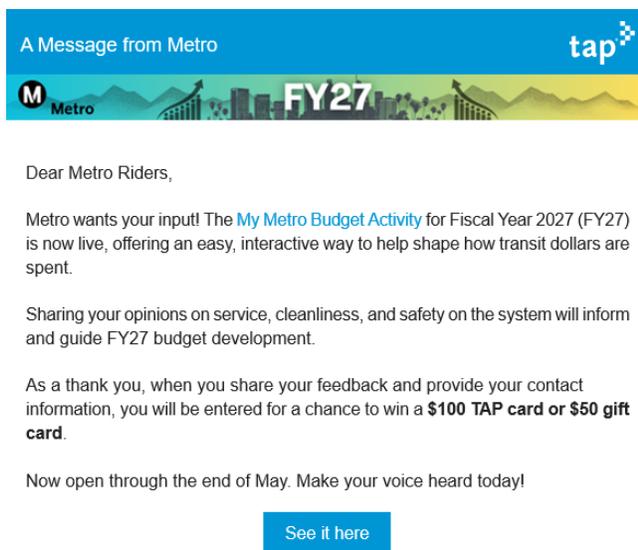
- Regional Service Councils FY27 Meet & Confer/Budget Briefings - To support early engagement, OMB staff met with the Service Councils at the Meet & Confer in December 2025 to present a live demonstration of the FY27 My Metro Budget Activity and My Metro Priorities tool and highlight opportunities to participate and identify transit needs specific to their regions.

Looking ahead, OMB staff will meet with all five Service Councils individually in April 2026. These sessions will both equip Service Council members with an overview of the proposed budget framework and create an open platform for community members to voice feedback and ask questions.

- Internal and External Stakeholder Meetings - To ensure the budget reflects a wide range of perspectives, Metro conducts outreach with a diverse set of stakeholders, as well as community-based organizations that support or depend on Metro services. Between February and May 2026, Metro will convene a series of meetings and public forums, including a formal public hearing and briefings with advisory councils and subcommittees, such as the Regional Service Councils, Councils of Governments (COGs), Community Advisory Committee (CAC), Technical Advisory Committee (TAC), Bus Operators Subcommittee (BOS), Local Transit Systems Subcommittee (LTSS), and the Streets and Freeways Subcommittee. In addition, Metro will hold targeted discussions with the Aging, Disability and Transportation Network (ADTN), the Accessibility Advisory Committee (AAC), the Valley Industry Commerce Association (VICA), and other community groups upon request.
- Social Media Campaign - The budget outreach campaign is designed to keep the public informed and engaged around the proposed FY27 Budget. To maximize

awareness and participation, OMB staff will leverage Metro’s official communication channels, including TikTok content creators, Instagram posts and stories, organic and paid Facebook posts and video ads, Nextdoor announcements, LinkedIn updates, and *The Source/El Pasajero*, to inform the public of opportunities to learn about the budget and provide feedback.

- **E-Blasts** - Metro distributes official communications through its email subscriber lists to inform the public about upcoming outreach efforts and opportunities for engagement. These e-blasts reach thousands of recipients and are also shared internally with Metro staff.



- **Information Cards/Flyers** - On-the-ground marketing for budget outreach is supported through the distribution of information cards in English and Spanish featuring QR codes across the Metro system and through Metro groups. Flyers are also posted and shared at the SEED School and throughout various transit divisions to ensure broad visibility and awareness. Information cards are being distributed by station staff, ambassadors, Metro Micro, LIFE, GoPass, and more.



Information Card



SEED School Flyer

- **Email** - The budgetcomments@metro.net email inbox allows members of the public to share feedback on the budget without having to participate in a public setting.
- **Budget Portal** - The Budget Portal (<https://budget.metro.net>) serves as the central hub for budget-related information and ongoing updates. The portal provides an

overview of the budget development process, a current calendar of briefings and meetings, access to financial documents and reports, and region-specific local return information. Visitors can also submit comments directly through the portal. Additionally, the site features schedules for stakeholder meetings and public forums, making it easier for community members to stay informed and actively participate throughout the budget process.

- Community Based Organizations - Metro continues to prioritize engagement with Community Based Organizations (CBOs) to ensure that diverse community perspectives are incorporated into the budget process. To facilitate this, OMB staff have created a dedicated opportunity post in Metro's CBO database, highlighting ways for organizations and their members to provide input on the proposed budget through the My Metro Budget Activity and My Metro Priorities tool. This effort is part of a broader strategy to strengthen outreach to historically underrepresented and hard-to-reach communities, including Equity Focus Communities (EFCs).
- Public Hearing - Metro will host a public hearing on the proposed FY27 Budget on May 21, 2026, providing an opportunity for community members to share comments directly with the Board. Public participation is strongly encouraged. In accordance with statutory requirements, notice of the hearing will be widely disseminated in multiple languages through newspapers, social media, email communications, stakeholder meetings, and other outreach channels.



FISCAL YEAR 2027 BUDGET DEVELOPMENT PROCESS

February 2026 | Finance, Budget, and Audit Committee



FY27 Preliminary Resources Summary



FY27 Sales tax revenue increased 1.8% (\$1.070 billion to \$1.089 billion per ordinance in FY27).



STA and SB1 will be updated in mid-February 2026.



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Advertising revenue projected at \$32.0 million, 22.8% decrease from FY26.



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	Resources (\$ in Millions)	FY26 Adopted	FY27 Preliminary	% Change
1	Sales Tax and TDA Revenues ⁽¹⁾	\$ 4,815.0	\$ 4,900.5	1.8%
2	STA and SB1 Revenues	260.2	271.3	4.3%
3	Passenger Fares ⁽²⁾	174.7	150.5	-13.9%
4	Advertising ⁽³⁾	41.5	32.0	-22.8%
5	Toll and Other ⁽⁴⁾	164.1	176.0	7.3%
6	Subtotal Resources	\$ 5,455.4	\$ 5,530.4	1.4%
7	Grant Resources ⁽⁵⁾	\$ 1,586.3	TBD	
8	Bond Proceeds and Prior Year Carryover ⁽⁵⁾	2,412.9	TBD	
9	Total Resources	\$ 9,454.6	TBD	

Note: Totals may not add due to roundings.



- 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

FY27 Preliminary Sales Tax Revenues



	FY24 Actual	FY25 Actual	FY26 Budget	FY27 Preliminary
1 Sales Tax Revenue per Ordinance ⁽¹⁾	\$ 1,093.0	1,080.0	\$ 1,070.0	\$ 1,089.0
2 % Change	-1.7%	-1.2%	-0.9%	1.8%

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

Sales Tax Revenue per Ordinance Forecast Comparison

Forecast Source (\$ in Millions)	FY24	FY25	FY26	FY27 Preliminary
1 Actual	\$ 1,093.0	\$ 1,080.0	\$ 1,042.3 - 1,109.5 ⁽¹⁾	N/A
2 Metro- Adopted	1,200.0	1,156.0	1,070.0	1,089.0 ⁽²⁾
3 UCLA	1,103.8	1,144.4	1,103.3	1,098.6
4 Beacon Economics	1,091.7 - 1,232.4	1,011.0 - 1,082.2	1,032.3 - 1,109.7	995.9-1,076.6
5 Muni Services	1,145.1	1,099.7 - 1,203.3	1,020.9 - 1,056.2	1,091.7-1,127.2

⁽¹⁾ FY26 Estimated Actual range.

⁽²⁾ FY27 preliminary assumption.

FY27 assumption of \$1,089 million per ordinance is within range of leading forecasts

FY27 Preliminary Sales Tax Assumption (per Ordinance)



Cost Inflation – Consumer Price Index (CPI)



Annual Change in Consumer Price Index (CPI)

Forecast Source	FY23	FY24	FY25	FY26	FY27 Preliminary
1 Actual	5.4%	3.2%	3.1%	2.2% ⁽¹⁾	N/A
2 Metro	3.3%	3.7%	3.0%	3.0%	3.0%
3 UCLA	3.8%	3.7%	3.8%	3.3%	3.8%
4 Beacon Economics	3.9%	2.4%	2.3%	2.5%	2.5%

⁽¹⁾ FY26 YTD Actual. FY26 Adopted Budget is 3.0%.



Expected to remain above Fed's 2% target



CPI impacts sales tax revenues and project delivery costs for Metro

FY27 CPI assumption of **3.0%** is **within range** of leading forecasts.



CPI of **3.0%** is outpacing the projected sales tax revenue growth of **1.8%**.



Uncontrollable



- Primary funding source is experiencing slow growth



- Tighter and more competitive Federal/State grant funding impacted by growing deficits



- Persistent inflationary pressures lead to operational and capital cost growth



- Geopolitical risks and 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 130+ different colors of funds, less than 13 fund sources, comprising less than 11% of total resources, 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
- Securing sufficient funding for the 2028 Olympic and Paralympic Games

CONCLUSION

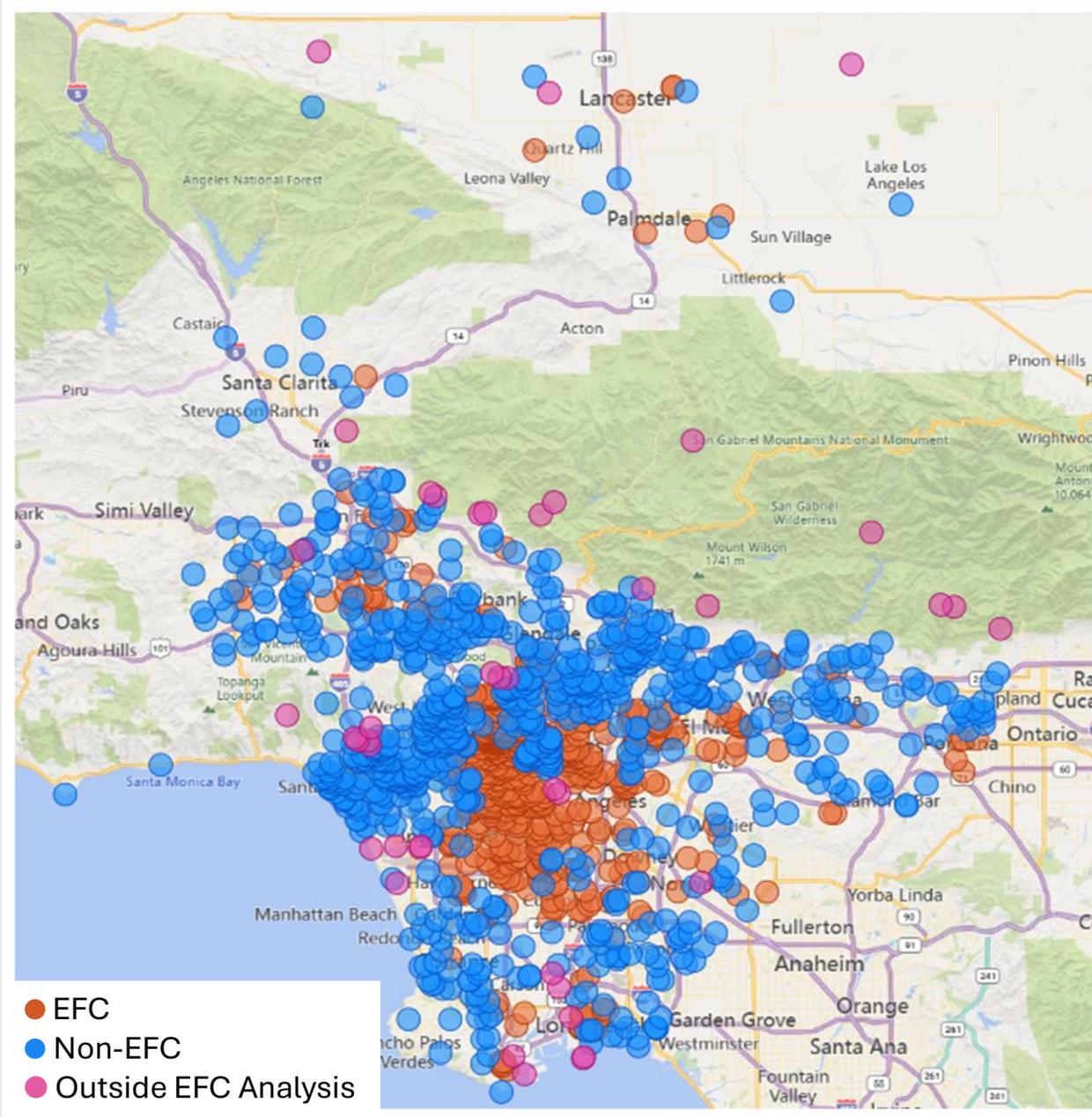


- New initiatives compete for operating eligible funding
- Necessary to enforce cost controls through EZBB
- Explore revenue generating opportunities

My Metro Budget & Priorities – Geographic Distribution

FY 27

M Metro



- Responses received align with Metro system coverage
- Number of responses (3,150+) exceeds statistically valid sample size.
 - **(348 under 18, +278% from FY26)**
- Equity Focused Communities (EFC) response rates:
 - 44% for My Metro Budget Activity
 - 54% for My Metro Priorities (youth-focused activity)





September



- Launched My Metro Priorities @ September 13th Youth Council Summit
 - **NEW** youth-focused outreach tool

October



- Distribution of Info Cards
 - GoPass
 - Other Metro outreach events
- My Metro Priorities eblast to Transportation Career Academy Program (TCAP), ELT/MIP (Metro entry level and intern staff program)

November



- Launched My Metro Budget Activity
 - Multiple eblasts
- Present to Youth Council & SEED School

December



- Begin Social Media Campaign for My Metro Budget Activity
 - Facebook, Instagram, LinkedIn, Nextdoor
- Distribution of Info Cards
- Regional Service Councils - Meet & Confer
 - All five regions

January



- Distribution of Info Cards
 - LIFE
 - Blue Shirts (Station Staff)
 - Other Metro groups (ongoing)
- Content Creator video
- Multiple eblasts

- Continued My Metro Budget activity promotion via eblast
- Promotion to new Youth Council cohort
- Departments receive internal dashboard

- Community Advisory Committee
- Distribution of Info Cards to Girls Empowerment Summit (WGCC)

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

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

- Launch public facing dashboard results



February



March



April



May



June



Infrastructure Planning and Construction:

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



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



FY27 Budget: Public Hearing and Board Adoption

