



Board Report

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FINANCE, BUDGET, AND AUDIT COMMITTEE SEPTEMBER 18, 2025

**SUBJECT: ADDRESSING THE FISCAL CLIFF - WORKPLAN FOCUS AREA: REVENUE
GENERATING OPPORTUNITIES**

ACTION: RECEIVE AND FILE

RECOMMENDATION

RECEIVE AND FILE report on Workplan Focus Area: Revenue Generating Opportunities

ISSUE

At the April 2025 meeting, the Chair of the Finance, Budget, and Audit Committee, Director Sandoval, asked staff to develop a workplan for addressing the fiscal cliff. This report is one of the deep dives to help inform the Board of some Revenue Generating Opportunities that can help mitigate the projected fiscal cliff in FY27.

BACKGROUND

Metro's prior year near-term forecast signals financial challenges in Metro Transit operations with a cumulative financial gap in Metro Transit of \$100 million by FY27, that grows to \$2.3 billion by FY30 due to major cost drivers projected to outpace sales tax revenue growth under current economic assumptions. Metro will be updating the Near-Term Forecast in January 2026. In addition, Metro is faced with large increasing capital project costs which further aggravate the financial challenges ahead.

DISCUSSION

Metro has various programs to enhance mobility within Los Angeles County by offering travelers various options for their daily commute. In addition, Metro has assets that have the potential to generate additional revenues to support our system. As Metro faces projected deficits, it is evaluating opportunities to leverage assets and generate revenues. This report covers the following revenue-generating opportunities that could yield additional revenues for our system, such as:

- Congestion Pricing
- Real Estate & Joint Development

- Advertising
- Fares
- ExpressLanes
- Parking Management

Congestion Pricing

A form of road pricing has been in operation in LA County since 2012 with Metro's ExpressLanes network. The Vision 2028 Strategic Plan calls for Metro to build upon this success and "[t]est and implement pricing strategies to reduce congestion... in the most traffic-clogged areas of the County... and simultaneously improve transportation equity and capacity by applying excess revenue to expand high-quality and rapid transit options."

Metro's Traffic Reduction Study (TRS) has focused on three interconnected goals:

- Ease and improve traffic through affordable pricing
- Reinvest any net revenues from pricing in rapid, reliable and safe transportation options
- Aid low-income households to address financial burdens and improve access to opportunities

Staff identified potential congestion pricing concepts and have run three rounds of modeling. The data shared here is from the most recent round of modeling and provides net revenue estimates over 20 years for a potential congestion pricing zone in Downtown Los Angeles, a potential zone in portions of West Los Angeles/ Santa Monica, and for both concepts operating simultaneously. The highest revenue potential is for the combined concept, generating \$12.3 billion estimated net revenues over 20 years, or \$616.8 million annually.

Real Estate and Joint Development

Real Estate

The majority of Metro's property portfolio is being utilized for transit operations and maintenance. Of the leased or vacant properties not included in the transit property portfolio, a majority are small, irregularly shaped, and/or do not have utility connections. These properties are leased to nearby business owners for additional parking or storage, generating approximately \$3 million a year in revenues.

Joint Development

There are 26 active and future/committed opportunity sites in the Joint Development portfolio. These consist of six projects under Exclusive Negotiations Agreements in various stages of pre-development, as well as 20 sites designated under the Joint Development 10K Program. Based on a cursory analysis performed by staff using square foot land sales in the surrounding area plus the use of a limited number of existing appraisals, the value of this portfolio of properties is anticipated to be between \$586 million and \$733 million. The opportunity sites include numerous active park-and-ride facilities (including very large sites such as the 10.3-acre Sepulveda Park and Ride) and may contain ancillary infrastructure to support Metro operations that must be retained under Metro control. It is important to note that any land sales will be subject to State Surplus Land Act (SLA) requirements

which will include prioritizing affordable housing when selling or leasing publicly owned land. This limitation is not factored into the above valuation range and would be a point of negotiation between Metro and future parties wishing to purchase Metro land.

In carrying out Joint Development activities on all 26 sites over the next five to ten years per current policies and plans, it is estimated that 12,800 housing units, including up to 6,400 income-restricted units, could be developed while also generating between \$175 million and \$200 million in ground lease revenue for Metro.

It is important to note that this analysis is based on preliminary estimates prepared by Metro staff. A more complete technical analysis including property appraisals would be necessary to arrive at a more precise and thoroughly vetted figure.

Advertising and Sponsorship

Metro operates a robust, multi-channel revenue advertising program that strategically monetizes systemwide capital assets. These assets span the bus and rail transit network, maintenance divisions and garages, agency programs, Bike Share, and emerging corridors such as Rail-to-Rail. The current portfolio encompasses:

- **Traditional Advertising** - Vehicle (bus and rail) and station wraps systemwide, station, rail car and bus interior signage, wall, floor and ceiling graphics
- **Digital Advertising** - A mix of small- and large-format digital screens providing dynamic messaging opportunities
- **Transportation Communications Network (TCN) Billboard Program** - 71 large-scale digital billboards planned for deployment countywide by 2027
- **Service & Retail Partnerships** - Examples include Venhub at the LAX/Metro Transit Center, integrating revenue generation with passenger services

In 2021, Metro expanded its portfolio to include **commercial sponsorships** as an additional long-term, alternative revenue stream, supporting post-pandemic financial recovery. All capital assets and transit services are eligible for sponsorship, creating diversified monetization opportunities across the system.

With an expanding network, there are additional options to maximize revenue generation:

- **System Advertising Policy (Alcohol)** - Revising Metro's Advertising Content Policy to allow regulated categories such as beer and wine-paired with responsible messaging and disclaimers-would enable access to high-demand advertising markets generating \$2.7 million in revenues. A national benchmarking study could ensure policy changes align with best practices and public safety standards, along with other high-demand categories to consider
- **Commercial Sponsorship: Expand Traditional Advertising Program** - Metro can strengthen its advertising portfolio by reassessing both existing and emerging assets to uncover new monetization opportunities. This includes leveraging parking facilities, division exterior walls, pedestrian bridges, and freeway-adjacent structures. Broadening the range of

available assets allows for targeted offerings to advertisers seeking both stationary and high-visibility placements, which has the potential to generate \$11.0 million in revenues

- **Expansion of Practice: Customer Amenities and Retail** - Introducing rider-facing amenities such as ATMs, vending machines, parcel lockers, and other retail services through lease or profit-sharing agreements would create additional recurring revenue streams while improving customer experience. Estimated additional revenue generation of \$20.5 million if implemented
- Expanding the advertising program may require revising Metro policy and amending California law, as current mandates limit long-term revenue potential.
- **State Policy and Legislative Barriers** - California Business & Professions Code § 5405.6 restricts Metro from installing advertising structures larger than ten feet by ten feet, preventing the deployment of premium large-format media. Amending this law is essential to unlocking high-revenue installations (see Attachment A)
- **Caltrans Permitting for Outdoor Advertising** - California Business & Professions Code Sections 5200-5486 restricts advertising adjacent to highways and Caltrans regulates and permits their placement - which directly impacts stations and assets in prime locations. Expediting this process may require legislative carve-outs, negotiated easements, or new agreements with Caltrans

Under the current policy, advertising generates a total of \$41.5 million annually. Expanding the advertising program through legislative action could generate an additional \$24.5 million annually but would likely require 36 months.

Table 1 in Attachment C summarizes other options to increase advertising revenues and includes an estimated timeframe.

Fares

In July 2023, Metro implemented Fare Capping. There was no increase in the base fare, rather decreases in base fares to K-12 and College Vocational students, the elimination of Silver Line and Express fares, and modest decreases in the daily and weekly passes. In FY26, fare revenues are projected at \$174.7 million.

When comparing fares to other peer agencies (e.g., Chicago, New York, Boston, etc.), Metro's fares are the lowest in the nation (see Attachment B). To mitigate operating deficits, peer agencies have been increasing their fares, implementing cuts in service, and seeking new funding sources. Table 2 in Attachment C compares base bus fares and farebox recovery ratios across the nation.

As seen in the chart, peer agencies' base fares range from \$2.25 - \$2.90. Increasing Metro's base fare of \$1.75 to a range between \$2.00 and \$2.50 could generate approximately \$20 - \$74 million annually based on FY25 data. Current programs, such as LIFE, GoPass, U-Pass, etc., would continue to offer free and discounted fares for riders.

Special Fares for Mega Events

With a projected deficit in FY27 and Los Angeles hosting a mega event in 2026, Metro conducted a review of best practices of Special Event fares throughout the United States and worldwide over the past five years. The review included what transit agencies charged compared to their regular fares and how pricing was determined.

- There is a trend among Mega Events to charge a special fare for transit to spectators
- To date, there is no common pattern among host cities on how Special Events fares are priced
- Bundling the transit fare with the Special Events ticket price (e.g., sporting event ticket) is the simplest and most convenient way for both the spectator and the transit agency. See Attachment C, Table 3 for additional pricing information.

ExpressLanes

The ExpressLanes Net Toll Revenue Grant (NTRG) program currently takes the excess tolls generated by single occupancy vehicles and reinvests that money into other multimodal transit, and active transportation projects along the I-10 and I-110. Metro ExpressLanes is a self-sustaining program operating with no support from any Metro sales taxes for ongoing operations. The program operates at a surplus and follows state law for allocating excess revenues. Specifically, the enabling legislation found in Streets and Highways Code section 149.7 (SHC §149.7) paragraph 5 states, in part,

“All remaining revenue generated by the toll facility shall be used in the corridor from which the revenue was generated pursuant to an expenditure plan developed by the sponsoring agency...”

The Metro Board has approved the ExpressLanes expenditure plan that awards net toll revenue grants to transit agencies and cities along the corridor to support mobility projects on the corridor. The Board currently approves this expenditure plan and can make recommendations to adjust how projects are identified and awarded. State law in SHC §149.7 and federal regulations (primarily found in 23 USC §129) do provide a path for use of excess revenues.

Historically, the excess revenues from operating ExpressLanes are allocated through NTRG program. To date, there have been three funding rounds completed. Distribution of a new funding round for NTRG is triggered when 50% of the last round has been spent. The most recent funding round was approved by the Board in October 2023 and included funding for \$124.8 million worth of projects and programs. This funding round included \$65 million in awards to NTRG cities and agencies, \$14.5 million to Caltrans, \$31.7 million to transit, and the remaining to reserve accounts and future funding rounds. Round 3 grantees have currently spent \$12 million and are anticipated to reach the 50% complete threshold in 3-5 years. To date, \$36.8 million has been expended from Rounds 1 and 2 with approximately \$10.2 million still unspent from those rounds.

ExpressLanes revenue has increased since 2023 and there is currently a surplus of \$85.4 million available which can be used for a future funding round. Approximately half of the \$85.4 million is programmed for transit subsidies operating on the corridors, particularly the J Line.

The Opportunity: The Board could forgo a future round of NTRG (Round 4) and instead direct the surplus revenues of approximately \$43.2 million to Metro operations within the I-10 and I-110 corridors.

Parking Management

Currently, the overall parking space occupancy for Metro's park-and-ride facilities has dropped significantly from 70-80% pre-pandemic to 30-40% post pandemic. As a result, the parking net revenues from Metro's park-and-ride facilities are approximately \$1.2 million and \$0.5 million from Union Station. While current parking fees were established to incentivize and encourage public transit use, increasing the parking fees at these park-and-ride facilities may not be feasible due to low parking demand. On the other hand, Union Station and Gateway parking facilities' parking fees are currently below the surrounding parking market rates and high parking demand, especially during special events. Adjusting parking fees at Union Station and Gateway facilities could generate additional revenues. Increasing the parking rate at Union Station and Gateway by 20%, could generate an estimated \$400,000 in net profit annually.

LA Metro Parking Management Plan for Mega Events

LA Metro maintains parking facilities at over 60 transit corridor stations, which contain over 30,000 parking spaces and has also identified potential parking facilities throughout Los Angeles County that could be utilized for Mega Events. These facilities have the potential of 15,000-100,000 parking spaces to support the park-and-ride function for these events.

Metro Parking Management will apply the team's knowledge and expertise to a parking plan that will utilize Metro's 30,000+ parking spaces in a way that supports the transit system and the region. Also, implementing parking concepts like dynamic event parking pricing, assigned/timed reservations that allow for capacity and demand control, and passenger inventory/bus services planning etc. has the potential to maximize the non-Metro parking facilities. Metro will operate these park-and-ride locations without any upfront costs or investments to create gross parking revenues, which will absorb all related operating expenses.

Hence, the preliminary net revenue projection for Metro from eight FIFA World Cup 2026 Games is estimated to generate \$1.3 million.

EQUITY PLATFORM

As the Strategic Work Plan advances, a strong commitment to equity will continue to guide Metro's approach and decisions. The Strategic Work Plan has equity components embedded throughout each of the processes.

Many transit agencies are experiencing fiscal challenges and are responding with service cuts and/or fare increases. The purpose is to inform the Board of revenue opportunities. The revenue generating opportunities included in this report would require a more comprehensive evaluation of the equity impacts. However, our Board adopted guidelines in addressing the fiscal cliff aim to avoid reductions to core bus and rail service that disproportionately affect transit-dependent riders.

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.

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 reflects our commitment to equity and fiscal discipline. 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 Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

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

NEXT STEPS

Metro will continue to monitor the financial situation and work toward meeting the deliverables of the Strategic Work Plan. In addition, each month, a deep dive will be provided to the Board to help inform the board on key focus areas. The planned deep dives as scheduled below will help guide the development of the FY27 budget.

- November - Capital Projects
- January - Near-Term Update

These deep dives will allow us to plan ahead, making small changes now in the budget that are strategic and not reactive.

ATTACHMENTS

Attachment A - CA Business & Professional Code §5405.6
Attachment B - LACMTA Fare Structure
Attachment C - Additional Data

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2024 California Code

Business and Professions Code - BPC

DIVISION 3 - PROFESSIONS AND VOCATIONS GENERALLY

CHAPTER 2 - Advertisers

ARTICLE 7 - Regulations

Section 5405.6.

Universal Citation:

CA Bus & Prof Code § 5405.6 (2024) ○

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5405.6. Notwithstanding any other provision of law, no outdoor advertising display that exceeds 10 feet in either length or width, shall be built on any land or right-of-way owned by the Los Angeles County Metropolitan Transportation Authority, including any of its rights-of-way, unless the authority complies with any applicable provisions of this chapter, the federal Highway Beautification Act of 1965 (23 U.S.C.A. Sec. 131), and any local regulatory agency's rules or policies concerning outdoor advertising displays. The authority shall not disregard or preempt any law, ordinance, or regulation of any city, county, or other local agency involving any outdoor advertising display.

(Added by Stats. 2001, Ch. 928, Sec. 1. Effective January 1, 2002.)

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LACMTA Fare Structure

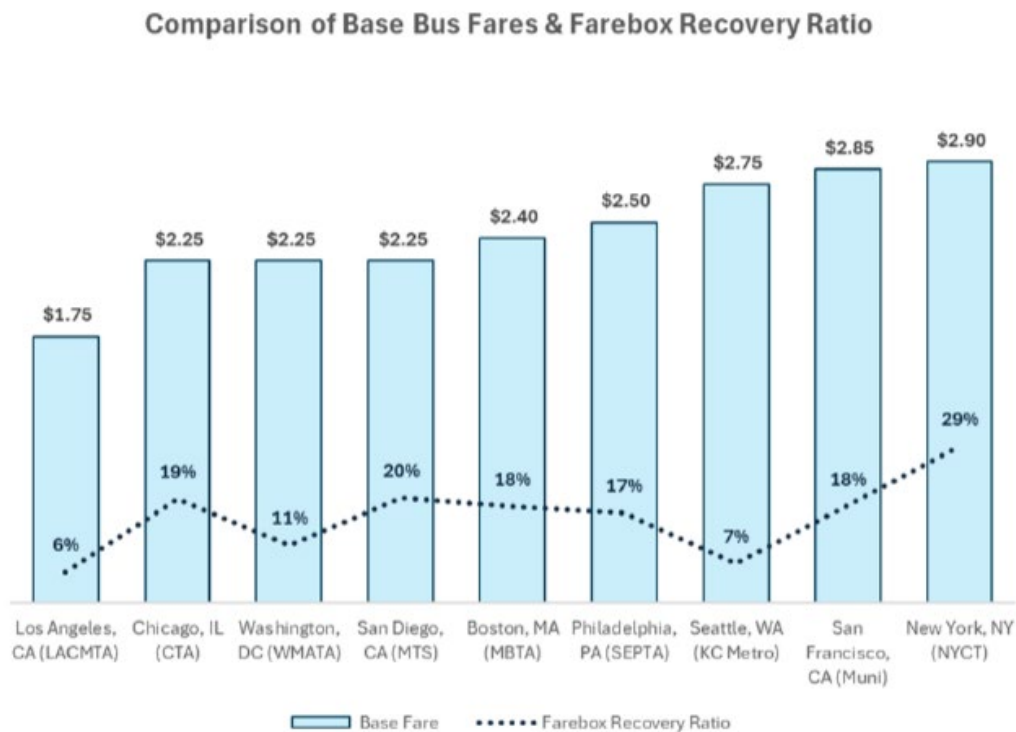
Rider Category & Fare Product	Current Fares	Fares Starting July 1
Regular Fare		
Base Fare	\$1.75	\$1.75
Upcharge	75¢	FREE
Day Pass/1-Day Cap	\$7	\$5
7-Day Pass/7-Day Cap	\$25	\$18
30-Day Pass	\$100	Not Offered
30-Day Pass + Zone 1	\$122	Not Offered
Senior/Disabled		
Base Fare	75¢ / 35¢	75¢ / 35¢
Upcharge	60¢	FREE
Day Pass/1-Day Cap	\$2.50	\$2.50
7-Day Pass/7-Day Cap	Not Offered	\$5
30-Day Pass	\$20	Not Offered
K-12 Student/College/Vocational		
K-12 Base Fare	\$1	75¢
Upcharge	60¢	FREE
College/Vocational Base Fare	\$1.75	75¢
Upcharge	60¢	FREE
Day Pass/1-Day Cap	Not Offered	\$2.50
7-Day Pass/7-Day Cap	Not Offered	\$6
K-12 Student 30-Day Pass	\$24	Not Offered
College/Vocational 30-Day Pass	\$43	Not Offered
LIFE		
	20 Free Rides	20 Free Rides

Additional Data

Table 1: Options to increase advertising revenues

Policy of CALaw	FY26 Annual Revenues	Add'l Policy Changes	Timeframe
System Advertising Policy (Alcohol)	\$ 27.5	\$ 2.7	3 months
Commercial Sponsorship	3.0	11.0	12 months
Expansion of Practice (Retail, ATMs)	-	20.5	12-24 months
CABus & Prof Code § 5405.6	11.0	24.5	24-36 months
NOTE: Projections are based on Feb 2024 estimates. Revised projections are being developed.			

Table 2: Base bus fares and farebox recovery ratios across the nation



* Fare box recovery ratio = fare revenues/operating costs.

Table 3: Special Fares

Agency	Day Pass Price
1984 Los Angeles Olympic Games	\$ 10.00
2002 Salt Lake City Winter Olympics	Free for event ticket holders
2015 Vancouver DayPass	\$ 11.95
2016 Rio Summer Olympics	\$ 7.50
2022 FIFA World Cup in Qatar	Free
2024 Utah Ticket-as-fare	Free for event ticket holders
2024 Paris Summer Olympics	\$ 18.68
2025 Toronto Convention Pass	\$ 10.25
2026 FIFA World Cup Games in NY/NJ	Free for ticket holders (TBD)

FY
27



Revenue Generating Opportunities

9/18/2025 | Finance & Budget Committee





Revenue Generating Areas

- Congestion Pricing
- Real Estate & Joint Development
- Advertising & Sponsorships
- Fares
- ExpressLanes
- Parking Management





- ❑ **Metro's Traffic Reduction Study (TRS)** has focused on three interconnected goals:
 - Ease & improve traffic through affordable pricing
 - Reinvest net revenues in safe, rapid & reliable transportation options
 - Aid low-income households to address financial burdens & improve access to opportunities

❑ **Net Revenue Estimates (Phase 3) - 20 Years (2028-2047)***

Concept (\$ in millions)	Gross Revenue	T&R Adjustments	O&M	Net Revenue
DTLA Cordon	\$ 10,630.8	\$ (371.7)	\$ (738.3)	\$ 9,520.8
West LA Cordon	3,399.5	(106.3)	(354.9)	2,938.3
DTLA + West LA Cordon **	\$ 13,798.9	\$ (449.7)	\$ (1,014.2)	\$ 12,335.0
Divided by: # of years	20			20
Revenues Annually	\$ 689.9			\$ 616.8

Notes:

* Dates for modeling purposes only

** Both zones to operate simultaneously; amounts are not meant to sum up

Rehabilitation and Replacement (R&R) costs are not included in the Net Revenue Estimates.



❑ Real Estate

- Majority of Metro Real Estate is utilized by transit operations and maintenance
- Annual lease revenue is approximately **\$3 million** non-transit properties
- Balance of properties are small, irregular shaped, no utility connections - TCN

❑ Joint Development

- Portfolio of properties include 26 active and future/committed development sites
- Properties include park-and-ride facilities and other transit infrastructure
- Utilizing all 26 sites, it is estimated that 12,800 housing units (~ 6,400 income-restricted) could be developed while also generating between **\$175 million** and **\$200 million** in ground lease revenue for Metro, over 5 to 10 years



ADVERTISING OPPORTUNITIES

FY
27

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Metro



Policy of CA Law	FY 26 Annual Revenues	Add'l Policy Changes	Timeframe
System Advertising Policy (Alcohol)	\$ 27.5	\$ 2.7	3 months
Commercial Sponsorship	3.0	11.0	12 months
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Coors Beer (DART)



MAX – Culver City Station



Door Dash – Bike Share



Transport for London



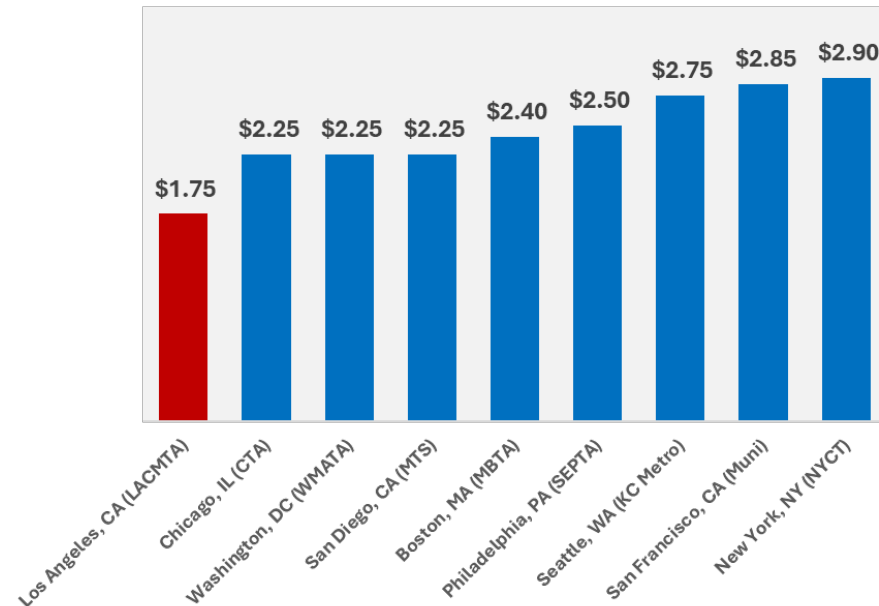
ATMs in Tokyo Metro (Japan)



Fare Structure

- LACMTA fares of **\$1.75** for full-fare riders are the lowest among its peer agencies
- Raising base fare (**\$2.00 - \$2.50**) Metro could generate **~\$20-\$74 million** annually
- Current programs, such as LIFE, GoPass, U-Pass, etc., will continue to offer free and discounted fares for riders.

Peer Agency Base BUS Fare



Special Event Fares

Agency	Day Pass Price
1984 Los Angeles Olympic Games	\$ 10.00
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2026 FIFA World Cup Games in NY/NJ	Free for ticket holders (TBD)



- Excess revenues are allocated through Rounds:

Rounds (\$ in millions)	Year	NTRG Awarded	Expended	Unspent
Round 1	July 2014	\$ 19.3	\$ 16.2	\$ 3.1
Round 2	August 2016	\$ 27.9	\$ 20.6	\$ 7.3
Round 3	October 2023	\$ 65.0	\$ 12.0	\$ 53.0
Round 4 ⁽¹⁾	TBD	\$ 85.4	\$ -	\$ 85.4

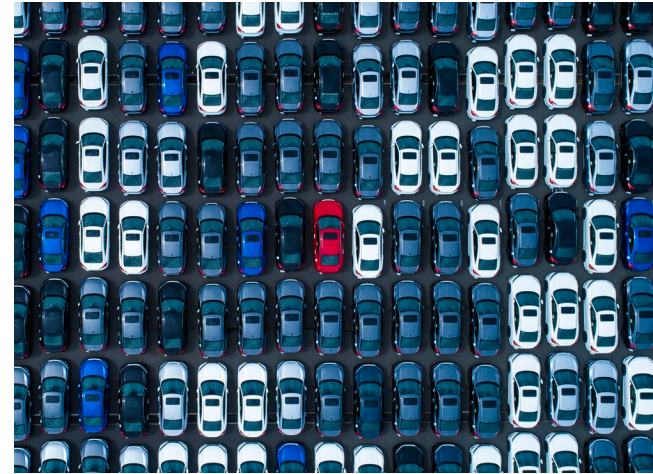
⁽¹⁾ Half of the \$85.4M surplus is available for transit subsidies operating on the corridors

- Revenue has increased since 2023 creating a surplus of \$85.4 million available for future funding round (Round 4)
- Opportunity: The Board could forgo a future round of Net Toll Revenue Grants (Round 4) and instead direct the surplus revenues of approximately **\$43.2 million** to Metro operations within the I-10 and I-110 corridors



❑ Parking Facilities

- Park-and-Ride facilities have dropped in occupancy to 30-40% post-pandemic and generate net revenues of **\$1.2M annually**
- Union Station/Gateway parking facilities currently generate **\$500K annually**
- A proposed rate increase to our current daily rate of \$8 to \$10 at Union Station/Gateway could generate an additional **\$400K** in net revenues annually



❑ Parking Management for Mega Events

- World Cup Games
 - Estimated net revenues of **\$1.3M** for 8 games





- ❑ Metro will continue to work toward meeting the deliverables of the Strategic Work Plan
- ❑ Each month, a deep dive will be provided to inform the Board of Key Focus Areas
 - November – Capital Projects
 - January – Near-Term Update
- ❑ Continue efforts to mitigate financial challenges while maintaining Guiding Principles
 - Preserve Essential Services
 - Prioritize Quality Service