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## SANDAG Board of Directors Transportation Committee Meeting

**MTS Fiscal Year 2026  
Operating Budget**  
July 18, 2025

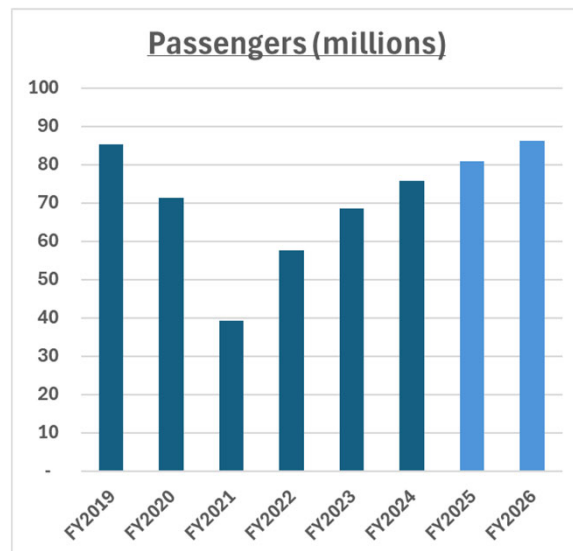


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## Overall MTS Ridership FY 2025

- Steady growth in ridership continues:
  - FY 2024 – 11% increase over prior year
  - FY 2025 – Projecting 7% increase
  - FY 2026 – Budget assumes 6% increase
- Target of 86M passengers in FY 2026, first year to exceed FY 2019's 85M
  - System peak was 97M in FY 2015

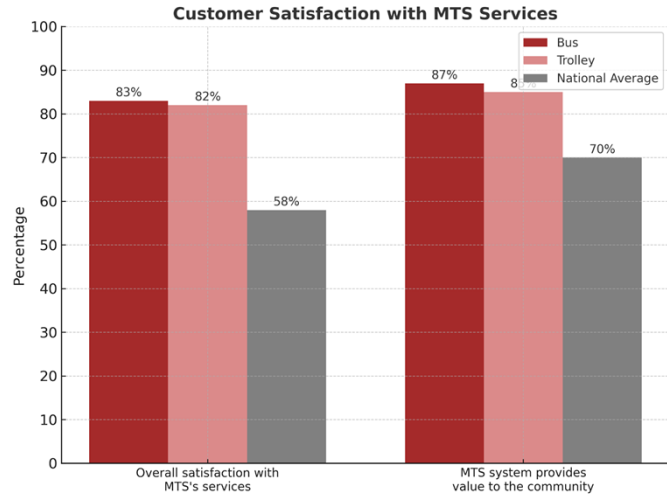


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# Customer Satisfaction Survey

- ETC Institute conducted surveys of more than 3,700 MTS passengers
  - Over 80% of riders are satisfied overall with service
  - Over 85% of riders believe MTS provides value to the community
  - Both metrics significantly higher than the national average



# Service Improvements

- Copper Line launched in October 2024
  - Serves four stations between El Cajon Transit Center and Santee Trolley Station
  - Every 15 minutes every day
  - Improved service reliability for this corridor and throughout the Trolley network
- Route 910 – Overnight Express started in January 2025
  - Serves limited stops between the U.S.-Mexico border and downtown San Diego
  - Late night/early morning service when UC San Diego Blue Line cannot run service
- Trolley frequency increased in January 2025
  - Added more service on nights/weekends on all lines

## NEW Bus Route 910 Overnight Express San Ysidro ↔ Downtown San Diego



# Transit Amenities

## Next-Arrival Sign Upgrades

Existing



New Installation

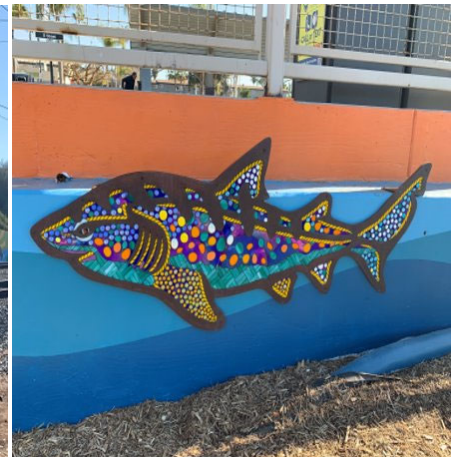


# Transit Amenities

## E Street Transit Center Murals

New murals at busy transit centers

- Clean California grant funding



## Transit Amenities

Improved lighting at  
bus stops and  
Trolley stations

### Old Town Ped Tunnel Lighting



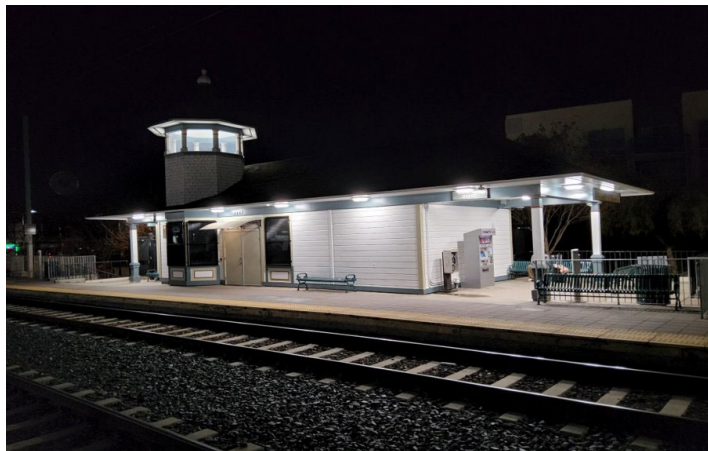
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## Transit Amenities

Improved lighting at  
bus stops and  
Trolley stations

### Lemon Grove Depot Lighting

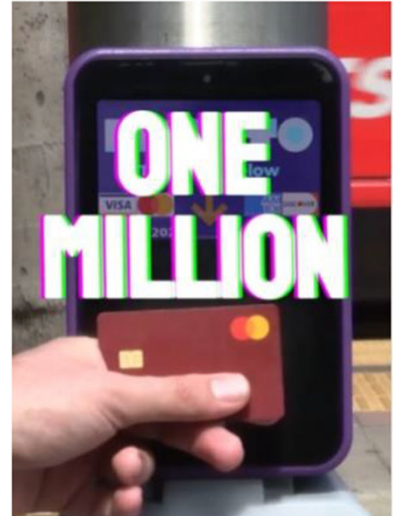


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## Contactless Fare Payment through PRONTO

- In July 2024, MTS and NCTD launched a new contactless payment feature
  - Riders can pay their fare with the direct tap of a debit or credit card
- In March 2024, Express Mode was made available for Apple Pay
  - When turned on, just requires tap of an iPhone or Apple Watch
- Over one million trips with contactless payment options since the feature's launch



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## FY 2026 Capital Budget 5-Year Forecast

- FY 2026 Capital Budget: \$163.3M
  - 93% towards State of Good Repair
- 5-year forecast of project needs:
  - State of Good Repair: \$836 million
  - Clean Transit/Other Initiatives: \$537 million
  - Total: \$1.4 billion
- Projected funding levels: \$624 million
  - Projected funding deficit: \$749 million
  - 46% funded



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## FY 2026 Operating Budget

- Significant structural deficit - recurring expenses exceed recurring revenues
- Stagnant revenue streams not keeping pace with expense growth
  - Sales Tax Revenue - SANDAG revenue projections for TDA/TransNet
    - FY 2026 regional totals well below FY 2023 peaks
  - Passenger Revenue – steady growth continues, 11.7% increase projected
- Expenses
  - Full year of expanded Trolley Service and new route 910-Overnight Express
  - Continued inflationary pressures results in 5.6% expense growth
- One-time funding used to balance structural deficit
  - Operating Budget Stimulus Reserve will be exhausted in FY 2026
  - Senate Bill 125 funding will be used to balance going forward
    - \$198M projected to be used over FY 2026-2029



## FY 2026 Operating Budget – Revenue/Expense Schedule (\$000's)

	FY 2025 Amended	FY 2026 Budget	Variance	Variance Percentage
<b>TOTAL REVENUES</b>				
Operating Revenues	\$ 114,949	\$ 121,090	\$ 6,141	5.3%
Non Operating Revenues	251,722	243,984	(7,738)	-3.1%
<b>Combined Revenues</b>	<b>\$ 366,670</b>	<b>\$ 365,074</b>	<b>\$ (1,596)</b>	<b>-0.4%</b>
<b>TOTAL EXPENSES</b>				
Personnel Expenses	\$ 195,880	\$ 206,891	\$ 11,011	5.6%
Purchased Transportation	108,709	113,974	5,264	4.8%
Outside Services	55,065	56,991	1,927	3.5%
Energy	48,394	51,449	3,055	6.3%
All Other Expenses	40,142	43,775	3,632	9.0%
<b>Combined Expenses</b>	<b>\$ 448,190</b>	<b>\$ 473,079</b>	<b>\$ 24,888</b>	<b>5.6%</b>
<b>Net Operating Deficit</b>	<b>\$ (81,520)</b>	<b>\$ (108,005)</b>	<b>\$ (26,485)</b>	
<b>One-Time Funding</b>	<b>\$ 81,520</b>	<b>\$ 108,005</b>		



## FY 2026 Operating Budget – Five Year Projections – Summary (000's)

	FY 2026 Budget	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected	FY 2030 Projected
Operating Revenues	\$ 121,090	\$ 126,790	\$ 130,718	\$ 135,812	\$ 139,992
Recurring Subsidy	243,984	247,282	252,369	258,766	265,676
<b>Total Recurring Revenues</b>	<b>\$ 365,074</b>	<b>\$ 374,071</b>	<b>\$ 383,087</b>	<b>\$ 394,578</b>	<b>\$ 405,667</b>
<b>Total Expenses</b>	<b>473,079</b>	<b>492,440</b>	<b>511,033</b>	<b>530,844</b>	<b>551,535</b>
<b>Structural Deficit</b>	<b>\$ (108,005)</b>	<b>\$ (118,369)</b>	<b>\$ (127,946)</b>	<b>\$ (136,266)</b>	<b>\$ (145,868)</b>
One-Time Funding	\$ 108,005	\$ 118,369	\$ 127,946	\$ 16,146	\$ 297
<b>Revenues Less Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (120,120)</b>	<b>\$ (145,571)</b>

### Major Assumptions

- Passenger revenue continues steady growth over the next four years
- Sales tax growth using SANDAG TDA/TransNet growth assumptions
- Inflation trend returns to normal levels, overall expense growth averages 3.9% per year
- Operating deficits remaining over five-year period, balanced with one-time funding through FY 2028



## Addressing Fiscal Cliff

- Board approved short-term recommendation in February 2025 to extend timing of fiscal cliff by a year (balanced through FY 2028):
  - Exercise Innovative Clean Transit (ICT) off-ramp provisions to delay implementation of ZEBs
  - Shift funding from capital to operations: \$25M in FY 2026, \$35M in FY 2027, \$50M in FY 2028
  - Maintain service at January 2025 levels
- MTS working closely with the California Transit Association (CTA) on statewide transit efforts and transit operations funding needs
- Ballot measure (polling and outreach) and other subsidy revenue increases
- Maximize non-fare revenue opportunities (advertising, naming rights, etc.)
- Passenger Fare Study
- Comprehensive Operational Analysis underway: Service reductions and/or increases pending revenue outcomes



# Questions/Comments

