



April 16, 2026

To: Finance and Administration Committee
From: Darrell E. Johnson, Chief Executive Officer
Subject: Orange County Transportation Authority Fiscal Year 2026-27 Budget Workshop Preview

Overview

The Orange County Transportation Authority is developing the fiscal year 2026-27 proposed budget, which identifies available revenues and costs associated with providing transportation services and programs for Orange County. The fiscal year 2026-27 proposed budget will be reviewed in detail during an informal workshop following the May 11, 2026, Orange County Transportation Authority Board of Directors meeting.

Recommendation

Review the fiscal year 2026-27 proposed budget in a workshop setting following the regularly scheduled Orange County Transportation Authority Board of Directors meeting on May 11, 2026.

Discussion

The preparation of the Orange County Transportation Authority's (OCTA) fiscal year (FY) 2026-27 proposed budget (proposed budget) began in December 2025 with the development of revenue and expense projections as well as goals for each of OCTA's programs and services. The goals for each of the programs and services included in the proposed budget are consistent with OCTA's Strategic Plan, Comprehensive Business Plan, Next 10 Delivery Plan, and the Board of Directors (Board) and Chief Executive Officer (CEO) 2026 Initiatives.

Each of OCTA's divisions submitted their proposed budget requests in January, which were then subject to internal reviews. The proposed budget was reviewed by a CEO-appointed internal budget review committee, consisting of the Deputy CEO, Chief Financial Officer, and Executive Director of People and Community Engagement, to ensure a balanced and fiscally responsible budget is delivered.

The development of the proposed budget was predicated on a set of programmatic assumptions discussed with the Finance and Administration Committee on March 19, 2026, and the Board on March 23, 2026. This discussion encapsulated the fundamental principles and assumptions guiding the budgeting process for key OCTA programs, including Measure M2 (M2), bus, commuter rail, local rail, motorist services, and express lanes.

Despite recent economic uncertainty, OCTA's financial position remains stable. OCTA maintains strong reserve levels in alignment with the Board-approved reserve policy. The reserve policy is the result of thoughtful financial stewardship and puts OCTA in a good position heading despite recent, uncertain economic times. The reserves act as a safeguard against unexpected economic fluctuations, ensuring that OCTA's programs and projects continue into the future.

In FY 2026-27, the growth rate for the M2 Program one-half-cent Local Transportation Authority sales tax revenue is forecasted to be 2.2 percent. The growth rate for the bus program one-quarter-cent Local Transportation Fund sales tax revenue is forecasted to be 2.3 percent. These growth rates were provided by MuniServices, LLC forecasts based on the Board-approved sales tax forecasting methodology.

The proposed budget presents a balanced financial plan, detailing the sources and uses of funds. It reflects a judicious mix of new revenues and the strategic use of previously designated funds, ensuring fiscal stability without resorting to deficit spending. Previously designated funds, also known as planned uses of prior year designations, are funds set aside (designated) in prior FYs to be utilized in the current FY.

The combination of estimated revenues and planned uses of prior year designations produces available funding of \$2,049.7 million, while proposed expenditures and designations yield a total use of funds of \$2,049.7 million. On a year-over-year comparison to the FY 2025-26 approved budget, the proposed budget is \$310.5 million more than the FY 2025-26 approved budget.

The proposed budget for the M2 Program delineates a clear roadmap for the enhancement of transportation infrastructure across the County. This includes executing the M2 Next 10 Delivery Plan as promised and ensures that vital projects remain on course. The M2 Program supports ongoing enhancements in freeways, streets, and roads, while also funding vital transit initiatives.

Significant funding is allocated for freeway improvements, particularly on State Routes 91 and 55 and Interstate 5, reflecting the promise to deliver on the

M2 Next 10 Delivery Plan. Additionally, there is continued investment in both local and regional traffic infrastructure as well as transit programs Community-Based Transit Circulators and the Senior Mobility Program.

The proposed budget extends OCTA's commitment to funding for cities and the County. Funding continues for the Local Fair Share Formula Program, Regional Capacity Program, and the Regional Traffic Signal Synchronization Program. This funding supports a broad spectrum of projects and sustains the momentum of infrastructure improvements throughout the County.

The proposed budget outlines a methodical plan for transit services, with a clear focus on sustainability. For the OC Bus Program, the proposed budget supports service of 1.62 million service hours which are consistent with pre-pandemic service levels, with approximately 60 percent of these hours directly operated by OCTA and the remaining 40 percent provided by contractors. The proposed budget also supports ongoing investments in paratransit replacement buses and bus base infrastructure.

Under the Rail Program, the proposed budget continues to support local rail, regional rail, and coastal rail improvements. In FY 2026-27, OCTA has established a budget target for Metrolink's operating subsidy to not exceed \$46 million, aimed at ensuring the financial sustainability of rail operations through 2041. This target is contingent upon Board approval of a service plan, as well as approval of funding contributions by all other member agencies.

The express lanes budget anticipates solid performance from the 91 Express Lanes, which continues to meet the goal of maximizing throughput through the State Route 91 corridor. The proposed budget anticipates trips will reach 22.9 million in FY 2026-27 through one gantry. The 405 Express Lanes are forecasted to reach 68.9 million trips in FY 2026-27 over the five ingress/egress points in the Interstate 405 corridor.

With Board direction, staff will present the proposed budget in detail in an informal workshop setting on May 11, 2026. The presentation will include a discussion of specific program goals and objectives, proposed staffing plan, and the sources and uses of funds planned to meet specified program goals. The presentation will be solely informational for the Board. No public hearing will be held at the meeting, nor will the Board be asked to vote on the proposed budget at the meeting. A public hearing for the proposed budget is scheduled to occur at the June 8, 2026, Board meeting, after which staff anticipates seeking Board approval of the proposed budget.

Summary

A detailed proposed budget workshop is scheduled for the Board on May 11, 2026, during the OCTA Board meeting. This session aims to provide the Board with comprehensive information on the proposed budget. No public hearing or voting will occur at this meeting. A subsequent public hearing and the anticipated budget approval will take place during the June 8, 2026, Board meeting.

Attachment

- A. Orange County Transportation Authority Fiscal Year 2026-27 Budget Workshop Preview

Prepared by:



Victor Velasquez
Department Manager,
Financial Planning and Analysis
(714) 560-5592

Approved by:



Andrew Oftelie
Chief Financial Officer,
Finance and Administration
(714) 560-5649