

metrolinktrains.com/meeting

ITEM ID: 2026-325-0

TRANSMITTAL DATE: October 5, 2026

MEETING DATE: October 9, 2026

TO: Board of Directors

FROM: Tom Schamber, Chief Financial Officer

SUBJECT: Transmittal of FY27 Proposed Budget

Issue

The Southern California Regional Rail Authority (SCRRA) Joint Exercise of Powers Agreement (JPA) requires the Authority to transmit the proposed annual operating budget and capital improvement program to the Member Agencies for their consideration and approval prior to adoption by the SCRRA Board of Directors.

For FY27, additional time was required to complete budget development and reach agreement among the Member Agencies regarding service levels and funding constraints. To ensure continued operations and avoid service interruptions while the FY27 budget was being finalized, the Board approved two, three-month continuing appropriations resolutions. The first covered operations from July 1 through September 30, 2026 and the second covered October 1 through December 31, 2026. This provided SCRRA additional time to work closely with the Member Agencies to finalize the FY27 Budget.

Contingent upon the Board's approval, the proposed FY27 Operating and Capital Budgets will be transmitted to the Member Agencies on October 9, 2026 for their review and adoption. The budgets will then be presented to the SCRRA Board of Directors on October 23, 2026, for adoption, replacing the temporary spending authority provided under the continuing appropriations resolutions.

Recommendation

Staff recommends that the Board approve transmitting the Proposed FY27 Metrolink Operating and Capital Budget to the Member Agencies for their consideration and adoption.

Strategic Commitment

This report aligns with the Strategic Business Plan commitments of:

- **Safety is Foundational:** We will stay on the leading edge by deploying new technologies and processes to enhance the safety and security of our riders, fellow employees, and the communities we serve.
- **Customers Are Our Business:** We respect and value our customers, putting them at the heart of all we do, and work hard to attract and retain new customers by understanding their needs and finding innovative ways to bring them on board.
- **Connecting and Leveraging Partnerships:** We will forge new and enhanced relationships with our public and private partners to integrate and coordinate connecting services, providing residents throughout Southern California with better, seamless, sustainable alternatives to driving.
- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, objective metrics, and streamlined governance, reducing overreliance on subsidies, bringing our system into a state of good repair, and investing in employee development.
- **Advancing Key Regional Goals:** We will grow the role of regional rail in addressing climate change, air quality, and other pressing issues by advancing toward zero emissions, making rail a compelling alternative to single-occupant automobiles, and advancing equity-focused opportunities for all communities throughout Southern California.

Background

Preparation of the FY27 Budget began on September 10, 2025. Several substantive changes occurred during the budget development period, altering the expected timeline for completing the budget. At the April 24th Board Meeting, staff requested that the requirement under the JPA agreement to transmit a budget to the Member Agencies by May 1st be lifted, and a three-month continuing appropriations resolution be transmitted instead. At the June 26th Board Meeting, the Board adopted that resolution. Further, the Board was informed that the budget would not be completed due to further unanticipated delays, and a three-month extension of the Continuing Appropriations Resolution was approved on July 24, 2026.

In total, 8 service plans were considered, and 6 complete budgets were constructed based on those plans. A copy of that Service Plan is included as Attachment O. On September 28, 2026, a budget that we believed would be acceptable, given all the requirements we were attempting to satisfy, was provided to the Member Agency CEO's, Member Agency CFO's, and the Member Agency Advisory Committee. By consensus, we determined to move forward with that budget.

Meeting the required financial constraints necessitated significant cuts to Metrolink service across the entire system. In total, 29% of weekday trains and 40% of weekend trains were eliminated relative to the optimized service schedule that was budgeted for FY26. These cuts were, to the extent possible, made to the trains with the lowest ridership, or where trains

overlapped closely with Pacific Surfliner service.

In addition, Metrolink contributed \$10.8M of State Rail Assistance, normally reserved for State of Good Repair and for matching capital grant applications, in order to meet the fiscal constraints required for the Operating Budget.

Discussion

As the budget was developed, the primary considerations included:

1. Safety is foundational;
2. Retaining and growing ridership;
3. Operational efficiency;
4. Fiscal sustainability for our Member Agencies;
5. Condition of Assets

In response to Member Agency feedback, significant cost reductions, fare increases, service reductions, and one-time infusion of State Rail Assistance were incorporated into a viable budget. Eight service scenarios were considered over the course of several months. SCRRA worked closely with the Member Agencies to evaluate each scenario and its impact to Metrolink's riders balanced with the cost savings needed to achieve a balanced budget.

FY27 Operating Budget Details

The FY27 Operating Budget is based on Service Scenario 8, which was developed in close collaboration with the Member Agencies.

Fare adjustments apply directly to One-Way Tickets and the SoCal Day Pass. Certain 5-Day Flex Pass and Monthly Pass fares may also reflect corresponding adjustments, as these products are calculated based on the applicable One-Way fare. Existing fare products and discount structures remain unchanged.

Operating Revenues

Operating Revenues include Farebox, Dispatching, and Maintenance-of-Way (MOW) Revenues, as well as Other Revenues, such as bank interest, sales of scrap materials, and other miscellaneous revenues. Operating Revenues are estimated to total \$81.7M for FY27, an increase of \$4.8M, or 6.2%, from the FY26 Adopted Budget.

Farebox Revenue, the largest component of total Operating Revenue, is projected at \$42.4M, a decrease of \$9.3M, or 18.1%, from the FY26 Budget. It includes fare increases to the one-way ticket, SoCal Day Pass, and the Weekend Pass. These fare changes took place on October 5th. Ridership and fare revenue were also influenced by an increase in ridership induced by high gas prices, which we expect to continue throughout FY27. The impact of reduced service levels on ridership were also a factor in farebox revenue projections. When comparing fare revenue to FY26, it is also important to recognize the overly optimistic ridership forecast in that year. Recalibrating FY27 ridership was necessary to recognize the reality we experienced.

Farebox revenues are subsidized by various other sources, including \$3.8M from Caltrans' LCTOP program, \$1.1M from CalSTA's State Rail Assistance funds, \$2.7M from Metro, and \$289K from SBCTA. These subsidies made it possible to provide a 50% discount to students/youths, a 50% discount to EBT cardholders through Mobility-4-All, and free fares for Metro Access Program riders. In total, these subsidies added \$7.9M to fare revenues.

This year, Metrolink applied \$10.8M of State Rail Assistance to balance the budget. State Rail Assistance is Metrolink's only direct revenue source, and it can be unreliable because it depends on diesel sales tax revenues. Typically, it is used for one-time expenses such as matching funds for capital grants.

Dispatching and MOW revenues from the freight railroads and Amtrak are based on existing agreements at the forecasted usage rate. The \$2.9M Dispatching Revenue budget reflects an increase of \$0.6M compared to the FY26 Budget. The MOW Revenue is \$14.2M, reflecting an increase of \$0.6M, or 4.8%, as compared to the FY26 Budget. These increases result from adjustments to the AAR index. Other Revenues are budgeted at \$3.6M, an increase of \$0.6M or 4.8%.

Operating Expenses

Operating Expenses are presented in the following four categories: Train Operations & Services, Maintenance-of-Way (MOW), Administration & Services, and Insurance & Legal. Comparisons are to the FY26 Budget.

Train Operations includes the costs of operating Metrolink rail services across the six-county service area, including direct costs for railroad operations, equipment maintenance, and required support. The Proposed FY27 Budget for expenditures related to Train Operations, including a small contingency, is \$201.2M, a decrease of \$1.3M or 0.6% from the FY26 Budget. A decrease in crews to operate the train is offset by contractual increases for the contractor providing those services. Despite operating fewer train miles under the new service schedule, significant increases to the cost of diesel offset those savings.

MOW expenditures are the costs of performing inspections and repairs to rail, signals, and structures needed to ensure the reliable, safe, and efficient operation of trains and public safety. The Proposed FY27 Budget amount for MOW-related expenditures is \$65.5M, an increase of \$2.5M, or 4.0%, from the FY26 Budget.

Administration & Services include internal overhead expenditures necessary to operate the railroad. The Proposed FY27 Budget for Administration & Services expenditures is \$56.6M, a decrease of \$3.6M, 5.9% from the FY26 Budget.

The Insurance & Legal category totals \$20.6 million in the Proposed FY27 Budget, a decrease of \$2.3M million, or 10.1%, from the FY26 Budget. Due to the extended FY27 budget development timeline, actual insurance quotes were received and incorporated into the Proposed Budget, rather than relying on estimated costs.

Shown as separate items are \$1.2M for Mega Events (e.g., 2028 Olympic Games), and the cost of maintaining the right of way outside of 20' in LA County, funded entirely by Metro. Expenses associated with CFR 245-246 compliance were removed in FY27, as FRA enforcement is not anticipated this year.

Overall, the total Proposed FY27 Budget for expenditures is \$348.4M, a decrease of \$4.9M or 1.4% from the FY26 Budget. Prior to the consideration of service reductions, cost-cutting or deferrals of activities were applied to virtually every area of expense. Contractual increases in some existing agreements precluded such reductions. These proactive actions amounted to more than \$16M. Employees will not receive merit increases. Examples exceeding \$1.0M are described below:

- **Station Maintenance** totals \$5.5M, a decrease of \$1.5M or 21.2% due to renegotiation of the Common Area Maintenance (CAM) contract Metrolink's use of Union Station.
- **Rail Agreements** total \$5.7M, a decrease of \$1.7M, or 22.7%, from the FY26 Budget. The decrease is primarily due to reduced service levels, resulting in fewer train movements over tracks owned by other parties (e.g., freight railroads).
- **Maintenance of Way** totals \$65.5M, an increased of \$2.5M or 4% - but it should be noted that the unionized workers at our vendor performing MOW activities obtained a 6% increase. Other cuts allowed us to contain the increase to MOW to only 4%.
- **Insurance & Legal** costs total \$20.6M, a \$2.3M or a 10.1% decrease from the FY26 Budget. The extended budget development timeline allowed staff to incorporate actual insurance quotes received into the Proposed Budget rather than relying on estimated costs, resulting in a more accurate projection of FY27 insurance expenses.
- **Operations Salaries & Benefits** total \$18.1M, a decrease of \$1.5M, or 7.5%, from the FY26 Budget. The decrease is primarily due to a revised salary budgeting assumption, with employees who have not reached the top of their salary range budgeted at 90% of their salary capacity rather than 100% in prior years. The FY27 Budget also reflects the defunding of two FTEs associated with CFR 245 and 246. No merit increases for Metrolink staff were budgeted in FY27. Collectively, these adjustments contributed to the overall decrease in Salaries & Benefits.
- Copies of the Proposed FY27, with comparisons to last year (Attachment A), history of past four years (Attachment B), by Member Agency (Attachment D) and By Line (Attachment E) are attached.

Member Agency Support

The Proposed FY27 Operating Budget includes \$81.7M in Operating Revenue and \$348.4M in Total Expenses, resulting in the need for \$266.7M of Member Agency Operating Support.

Compared with the FY26 Amended Budget, Operating Revenue increased by approximately \$4.8M million, or 6.2%, while Total Expenses decreased by approximately \$4.9M, or 1.4%. As a result, required Member Agency Operating Support decreased by approximately \$9.7M, or 3.5% from the FY26 Budget.

Member Agency Support details as shown in Attachment E.

Capital Program Budget

The Proposed FY27 Capital Budget was developed based on the Metrolink Rehabilitation Plan

(MRP) which was created in fulfillment of the FTA's Transit Asset Management (TAM) requirement, and to address the Authority's State of Good Repair (SGR) needs. The MRP addresses two critical elements:

Backlog: Total cost of maintaining all assets in a SGR. The backlog is estimated to be over \$1 billion.

SGR: Annual cost of keeping assets in a SGR.

The FY27 budget request addresses only the annual cost of keeping assets in a State of Good Repair.

State of Good Repair

The SGR request for FY27 is \$142.6M, an increase of \$5.1M or 3.7%. The projects are presented by Member Agency, by Line, and by individual project, with locations and descriptions in Attachment F.

New Capital

The New Capital request for FY27 is \$10.9M, a decrease from the FY26 request of \$4.7M or 30.1% from the FY26 Budget. The New Capital projects are presented by Member Agency, by Line, and by individual project, with locations and descriptions in Attachment G.

Capital Carryover Authorization

As a part of the annual budget, the carryover of unspent prior capital authorizations must be renewed.

The FY27 SGR Carryover is \$509.2M.

The FY27 New Capital Carryover is \$87.4M

Details of all carryover projects are shown in Attachment H.

Capital Program Cash Flow

A forecast of annual cash flows for the entire Capital Program is also included in Attachment J.

Operating & Capital Multi-Year Forecasts

Operating and Capital Budget Forecasts for FY28, FY29, FY30, and FY31 are included in Attachment I for Capital and Attachments K through N for Operating. These forecasts are provided to the Member Agencies for consideration and programming. The four-year forecasts will be considered for adoption individually during the applicable year. They are considered information only for this adoption of the FY27 Budget.

Upon approval by the Board, the Proposed FY27 Budget will be transmitted to Member Agencies for consideration and adoption. The SCRRA Board will be asked to approve the final budget, following a public hearing, at the regular Board meeting on Friday, October, 23, 2026.

Operating Budget Attachments

The attachments listed below provide additional detail on the FY27 Proposed Operating Budget:

- Attachment A - FY27 Proposed Operating Budget with Comparison to FY26
- Attachment B - Historical Actual and Budgeted Operating Statements
- Attachment C - FY27 Proposed Operating Budget by Member Agency
- Attachment D - FY27 Proposed Operating Budget by Line
- Attachment E - Support Request by Member Agency
- Attachment O - Service Schedule for FY27 Budget beginning Nov.

Capital Program Budget Attachments

The attachments listed below provide additional detail on the FY27 Proposed Budget for the Capital Program:

- Attachment F - FY27 Proposed SGR Projects by Member Agency, Line, and Project
- Attachment G - FY27 Proposed New Capital by Member Agency, Line, and Project
- Attachment H - FY27 SGR and New Capital Carryover Projects
- Attachment I - 4 Year Capital Project Forecast
- Attachment J - FY27 Proposed Capital Program Cashflow

Multi-Year Forecast

Attachment K - FY28 Operating Budget Forecast

Attachment L - FY29 Operating Budget Forecast

Attachment M - FY30 Operating Budget Forecast

Attachment N - FY31 Operating Budget Forecast

Budget Impact

The transmission of this Proposed FY27 Budget will not have an impact on the Budget.

Next Steps

Upon approval, the Proposed FY27 Operating & Capital Budgets, will be transmitted to the Member Agencies for review and adoption.

Metrolink Board adoption is anticipated on October 23, 2026.

Prepared by: Tom Schamber, Chief Financial Officer

Approved by: Tom Schamber, Chief Financial Officer

Attachment(s)

[Attachment A - FY27 Operating Budget](#)

[Attachment B - FY27 Historical Budget](#)

[Attachment C - FY27 Budget by Member](#)

[Attachment D - FY27 Budget by Line](#)

[Attachment E - Support Request by Member Agency](#)

[Attachment F - FY27 Proposed SGR Projects by Member Agency](#)

Attachment G - FY27 Proposed New Capital by Member Agency

Attachment H - FY26-FY27 Capital Project Carryover Details

Attachment I - Four Year Capital Project Forecast

Attachment J - FY27 Total Capital and Cash Flow

Attachment K - FY28 Operating Budget Forecast

Attachment L - FY29 Operating Budget Forecast

Attachment M - FY30 Operating Budget Forecast

Attachment N - FY31 Operating Budget Forecast

Attachment O - Draft Service Schedule for FY27 Budget

Presentation - FY27 Metrolink Operating Capital Budget Transmittal