METROLINK

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ITEM ID:	**2026-361-0**
TRANSMITTAL DATE:	**November 6, 2026**
MEETING DATE:	**November 13, 2026**
TO:	**Board of Directors**
FROM:	**Tom Schamber, Chief Financial Officer**
SUBJECT:	**Adoption of the FY27 Metrolink Operating and Capital Budgets, the FY27 Salary Resolution, and Approval of Operating Forecasts for the Four Years FY28 through FY31**

Issue

Under the terms of the Joint Exercise of Powers Agreement (JPA), the Authority is required to adopt a budget for the succeeding fiscal year no later than June 30th of each year. The Proposed FY27 Budget consists of the Operating Budget and State of Good Repair/New Capital Projects Budget. Consistent with multi-year budget planning, approval of the proposed budget forecasts for the fiscal years 2028 through 2031 is also requested at the time of budget adoption. In addition, the FY27 Salary Resolutions are submitted for approval as part of the Budget Adoption process.

Recommendation

It is recommended that the Board:

1. Conduct a Public Hearing; and
2. Adopt the Proposed FY27 Operating and Capital Budgets; and
3. Approve the FY27 Salary Resolution; and
4. Approve the Proposed Budget Forecasts for Fiscal Years FY28 through FY31.

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, our 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 new and 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 over-reliance on subsidy while bringing our system into a state of good repair and investing in the development of our employees.

- **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.

The FY27 Budget has been constructed in collaboration with Member Agencies' staff and CEOs to support each of Metrolink's strategic goals while remaining within their funding parameters.

Background

Public Hearing Requirement:
Members of the public were notified on October 28, 2026 of the postponed public hearing in accordance with applicable requirements, by advertisements in newspapers and publications, throughout the five-county areas served by the Authority in the following newspapers:

- Orange County Reporter (OC), English
- Ventura County Star (VT), English
- Daily News (LA), English
- Riverside Press Enterprise (RIV), English
- San Bernardino County Sun (SB), English

The Metrolink's Proposed FY27 Budget is posted on the metrolinktrains.com website. The Proposed FY27 Metrolink Budget with all attachments was transmitted to all Member Agencies on October 9, 2026, for their consideration and adoption.

Budget 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 24, 2026 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, extending the Continuing Resolution to December 31, 2026.

In total, 8 service scenarios were considered, and 6 budgets were partly or wholly constructed based on those scenarios. 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 CEOs, Member Agency CFOs, and the Member Agency Advisory Committee. By consensus, it was determined to move forward with that budget, referred to as Scenario 8.

Already operating a reduced schedule today (Scenario 4) from the optimized service in place since October 2024, without additional funding from the State, significant additional cuts to service were planned in the Scenario 8 budget. In parallel with consideration of Scenario 8, staff responded to a Notice of Funding Opportunity (NOFO) that made $66.6M available to commuter and intercity rail agencies through a program known as Flexible State Rail Assistance. Staff determined that with $20M of additional State funding for operations, Metrolink could continue to provide its current level of service through FY28, while adhering to member agency funding limitations. Metrolink submitted a funding request on October 19, 2026. Given the awkward timing of CalSTA's decision-making window relative to our scheduled public hearing and budget adoption scheduled for October 23, 2026, CEO Kettle obtained consent from all five member agencies to postpone budget adoption, allowing time for CalSTA to evaluate our funding request. This necessitated postponement of any additional service cuts to at least January 4, 2027. Operations continued to be funded under the continuing appropriations resolution in effect through December 31.

On November 5, 2026, CalSTA announced that Metrolink's request for $20M of flexible state rail assistance was awarded with the intent to keep today's level of service through June 30, 2028. In addition, CEO Kettle committed $12.3M of formula state rail assistance, normally reserved for capital grant pursuits, to fully fund the FY27 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

FY27 Operating Budget Details

The FY27 Operating Budget is based on Service Scenario 4.1, which was developed as a result of the State funding award.

The proposed FY27 Operating Budget includes:

- Operating Revenue = $88.6M
- Total Expense = $355.3M
- Total Support from Member Agencies = $266.7M

Operating Revenues
Operating Revenues include Farebox, formula and flexible State Rail Assistance, Dispatching Revenue, and Maintenance-of-Way (MOW) Revenue, as well as Other Revenues, such as bank interest, sales of scrap materials, and other miscellaneous revenues. Operating Revenues are estimated to total $88.6M for FY27, an increase of $11.7M, or 15.2%, from the FY26 Adopted Budget. This increase is the result of the $18.3M in State Rail Support, offset by a reduction in farebox revenue.

Farebox Revenue, the largest component of total Operating Revenue, is projected at $40.7M, a decrease of $11.1M (21.4%) from the FY26 Budget. Service was reduced by approximately 20% as of March of FY26 on weekdays. Influences on FY27 Farebox Revenue include fare increases for the one-way ticket, SoCal Day Pass, and the Weekend Pass, which took effect on October 5th, and an increase in ridership induced by high gas prices, which are expected to continue throughout FY27. Compared to FY26, it is important to recall the overly optimistic ridership forecast in that year, which was budgeted based on the fully optimized schedule. Recalibrating FY27 ridership was necessary to reflect probable actual results.

Fare Revenues are subsidized by various other sources, including $3.5M from Caltrans' LCTOP program to provide a 50% discount to student/youth riders, $289K from SBCTA to support fare reductions on the San Bernardino line, and $1.0M in State Rail Assistance to fund the Mobility-4-All program, which offers a 50% discount to riders holding an EBT card. Metro also provides $2.7M to cover free fares for Metro Access Program riders. In total, these subsidies added $7.5M to fare revenues.

This year, Metrolink contributed $12.3M of formula State Rail Assistance towards operations. In addition, $6.0M of the $20M in flexible State Rail Assistance awarded by CalSTA was used to fund current service levels.

Dispatching and MOW (Maintenance of Way) Revenues from the freight railroads and Amtrak are based on existing agreements at the forecasted usage rate. The $2.6M Dispatching Revenue budget reflects an increase of $0.3M, or 13.8%, compared to the FY26 Budget. The MOW Revenue is $14.1M, reflecting an increase of $0.6M, or 4.2%, as compared to the FY26 Budget. These increases result from adjustments to the Association of American Railroads (AAR) index. Other Revenues are budgeted at $5.5M, an increase of $2.6M or 90.9%, driven primarily by known and highly likely collection of liquidated damages under various vendor agreements.

Operating Expenses
Operating Expenses are presented in the following four categories: Train Operations & Services, MOW, Administration & Services, and Insurance & Legal. All 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 supporting services. The Proposed FY27 Budget for expenditures related to Train Operations, including a small contingency, is $210.6M, an increase of $8.0M or 4.0% from the FY26 Budget. A decrease in crews to operate the trains is offset by contractual increases for the contractor providing those services. Despite operating fewer train miles under the new service schedule, significant increases in diesel costs 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 $65.6M, an increase of $2.6M (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 $54.4M, a decrease of $5.8M (9.6%) from the FY26 Budget.

The Insurance & Legal category totals $ 20.6 million in the Proposed FY27 Budget, a decrease of $2.3M, 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 $0.9M for Mega Events (e.g., 2028 Olympic Games), and the $3.3M 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 operating expenditures is $355.3M, an increase of $2.0M or 0.6% from the FY26 Budget. Prior to considering service reductions, cost-cutting, or activity deferrals were applied to virtually every expense area where existing agreements did not preclude such reductions. These proactive actions amounted to more than $16M. Employees will not receive merit increases. Examples of cuts exceeding $1.0M are described below:

Station Maintenance totals $5.5M, a decrease of $1.5M, or 21.2%, due to the renegotiation of the Common Area Maintenance (CAM) contract for Metrolink's use of Union Station.

Rail Agreements total $6.0M, a decrease of $1.3M, or 18.3%, 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 $65.6M, an increase of $2.6M or 4.2%, 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 MOW increase to only 4%.

Insurance & Legal costs total $20.6M, a $2.3M decrease (10.1%) 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 $17.9M, a decrease of $1.6M, or 8.3%, 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 Operating Budget, with comparisons to last year (Attachment A), history of the 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 $88.6M in Operating Revenue and $355.3M in Total Expenses, resulting in a Member Agency Operating Support requirement of $266.7M. This amount is equal to the member support request under the retracted Scenario 8 budget, which offered significantly less service. This was made possible by the award of flexible state rail assistance from CalSTA.

Compared with the FY26 Amended Budget, Operating Revenue increased by approximately $11.7M, or 15.2%, while Total Expenses increased by approximately $2.0M, or 0.6%. As a result, required Member Agency Operating Support decreased by approximately $9.7M, or 3.5%, as compared to the FY26 Budget.

Member Agency CEO's worked collaboratively to determine an equitable distribution of state rail assistance dollars amongst them.

Member Agency Support details are shown in Attachment E.

Capital Program Budget

The Proposed FY27 Capital Budget was developed based on the Metrolink Rehabilitation Plan (MRP), which was created to fulfill the FTA's Transit Asset Management (TAM) requirement and 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 SGR 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 of $4.7M (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 and 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.

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 - Metrolink Service Schedule

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

Annual Salary Resolution

- Attachment SR - FY27 Salary Resolution
- Attachment SR-1 - FY27 Proposed Salary Grade Range Structure
- Attachment SR-2 - FY27 Proposed Budgeted Position Roster
- Attachment SR-3 - FY27 Proposed Classification and Salary Plan

Budget Impact

Adoption of the Proposed FY27 Budget will create a budget and spending authority for Metrolink for the fiscal year 2026-2027.

Next Steps

Adoption of the FY27 Operating and Capital Budgets are contingent upon adoptions by each of the five member agencies. VCTC has already taken the actions necessary to meet this requirement. The other four member agencies anticipate adoption by their respective boards in November and December 2026, all before expiration of the current continuing resolution in place through December 31, 2026.

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Approved by:	Tom Schamber, Chief Financial Officer

Attachment(s)

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 F - FY27 Proposed SGR Projects by Member Agency, Line, and Project
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 - Metrolink Service Schedule
Attachment SR - FY27 Salary Resolution - Effective 07.01.2026
Attachment SR-1 - Proposed FY27 Salary Grade and Range Structure
Attachment SR-2 - Proposed FY27 Budgeted Position Roster
Attachment SR-3 - Proposed FY27 Classification and Salary Plan
Presentation - FY27 Metrolink Operating Capital Budget Adoption