ITEM 7A.

METROLINK

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ITEM ID:	**2026-303-0**
TRANSMITTAL DATE:	**September 18, 2026**
MEETING DATE:	**September 25, 2026**
TO:	**Board of Directors**
FROM:	**Tom Schamber, Chief Financial Officer**
SUBJECT:	**Adoption of Proposed FY27 Arrow Service Budget**

Issue

Arrow Service provides Diesel Multiple Unit (DMU) and Zero Emission Multiple Unit (ZEMU) transportation over a 9-mile rail corridor from San Bernardino-Downtown to Redlands-University.

An approved budget is required to provide funding for this service for FY27. This service is funded solely by SBCTA.

Recommendation

The Budget, Audit, and Finance Committee recommended (4-0) that the Board adopt the Proposed FY27 Arrow Service Budget.

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.

- **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

Budgetary difficulties have deferred the transmittal and adoption of the Arrow Service Budget for FY27. In order to provide funding for continuing operations, the Metrolink Board passed a three-month Continuing Appropriations Resolution on June 26, 2026 and a three-month extension to that resolution on July 24, 2026, in total providing funding through December of 2026. At such time as an FY27 Budget is adopted, the Continuing Resolution amounts will be replaced with the Adopted Budget.

Discussion

The Proposed FY27 Arrow Service Budget has been reviewed in detail with the staff of SBCTA. The Proposed FY27 Operating Budget for Arrow Service reflects:

- Revenue of $309K
- Expenses of $18.9M
- Support required of $18.3M

The comparisons of the Proposed FY27 Budget to the FY26 Adopted Budget, including category details are shown in Attachment A. Attachment B shows the historical details of Operating Statements for Arrow Service.

Capital Program Budget

- State of Good Repair (SGR) is $501K
- Capital for FY27 is $336K

A cash flow for the Capital Program is included as Attachment C. A detail of the State of Good Repair budgeted for FY27 is in Attachment D. Attachment E is a detail of the carryover projects in FY27 (projects approved in prior years - not yet completed). New Capital Carryover is in Attachment F.

Operating Revenue

Operating Revenue consists of:

- Farebox Revenue in the amount of $226K, a decrease of $145K or 39.1% from FY26 Budget, amounts from the CPP College Pass Program in the amount of $34K, *Mobility for All* subsidy in the amount of $7K, and LCTOP Grant for reduced student fares in the amount of $42K
- Subtotal Farebox Revenues in the amount of $309K, a decrease of $126K or 29% from the FY26 budget.

Operating Revenue also includes MOW Revenue in the amount of $261K provided by freight railroads to compensate for usage of track owned by SBCTA. In total, Operating Revenue at $569K is a decrease of $120K or 17% from FY26 Budget.

Expense consists of the following Major categories:

- Train Operations = $14.7M, an increase from FY26 Budget of $527K or 3.7%
- Maintenance of Way = $2.1M, an increase of $301K from FY26 Budget or 16.9%
- Administration and Services = $2.0M, a decrease of $121K or 5.6% from the FY26 Budget
- Insurance and Legal = $0.1M

The major expense drivers are:

- Equipment Maintenance = $5.3M (Stadler will be overhauling engines in FY27 and adding storage for parts)
- Train Operators = $4.1M
- Security = $2.6M (including both Sheriffs and Guards)
- MOW = $2.1M
- Materials = $405K

Expenses total $18.3M, an increase of $0.8M or 3.8% from the FY26 Budget
Support required = $18.3M, an increase of $810K or 4.6% from the FY25 Budget

Budget Impact

There is no budget impact as a result of the transmission of this Proposed FY27 Budget.

Next Steps

The Arrow Budget will be adopted at the regular September Board Meeting.

Prepared by: Christine J. Wilson, Assistant Director, Finance

Approved by: Tom Schamber, Chief Financial Officer

Attachment(s)

Attachment A - Arrow Budget FY27 Compared to FY26
Attachment B - Arrow Operating Statement History
Attachment C - FY27 Arrow Capital Projects Cash Flow
Attachment D - FY27 SGR Arrow Proposed Project
Attachment E - FY27 SGR Arrow Carryover
Attachment F - FY27 New Capital Arrow Carryover
Presentation - Proposed FY27 Arrow Service Budget