



ITEM ID: 2025-194-0

TRANSMITTAL DATE: April 4, 2025

MEETING DATE: April 11, 2025

TO: Audit and Finance Committee

FROM: Arnold Hackett, Chief Financial Officer

SUBJECT: Proposed FY2025-2026 (FY26) Arrow Service Budget - Request to Transmit

Issue

Arrow Service provides Diesel Multiple Unit (DMU) 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 FY26.

This service is funded solely by SBCTA.

Recommendation

It is recommended the Committee recommend the Board of Directors approve transmittal of the FY2025-2026 (FY26) Budget for Arrow Service to the San Bernardino County Transportation Authority (SBCTA) for their review 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, 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

Arrow Service began in October of 2022. At that time, third-party agreements were used to cover costs of operations and capital.

In FY24, it was determined that a Continuing Resolution would be provided to fund the operating cost for FY24. FY25 was the first year a complete budget was produced for Arrow Service.

FY26 is the second year of complete budgeting for Arrow Service.

Discussion

The Proposed FY26 Arrow Service Budget was produced in collaboration with the staff of SBCTA.

The Proposed FY26 Operating Budget for Arrow Service reflects:

- Revenue of \$690K
- Expenses of \$18.2M
- Support required of \$17.5M

The comparisons of the Proposed FY26 Budget to the FY25 Budget, including category details are shown in Attachment A.

Attachment B shows the historical details of Operating Statements for Arrow Service.

The Proposed FY26 Arrow Service Budget in Operating Statement format is presented in Attachment C.

Attachment D is a history of actual and budgeted Operating Support with variances to the FY25 Budget.

Capital Program Budget

- SGR = \$500K

- New Capital = \$424K

A detail of the budgeted SGR amount is in Attachment E.

A detail of the budgeted New Capital amount is in Attachment F.

A cash flow for the Capital Program is included as Attachment G.

Operating Revenue

Operating Revenue consists of:

Farebox Revenue in the amount of \$371K, an increase of \$169K or 84% from FY25 (Farebox Revenue has been provided in a forecast by Sperry Capital/KPMG);

amounts from LCTOP Grant for reduced student fares in the amount of \$54K;

Mobility for All subsidy in the amount of \$10K;

combining to total ProForma Farebox Revenue in the amount of \$435K, an increase of \$223K or 105.2% from the FY25 budget.

Operating Revenue also includes MOW Revenue in the amount of \$255K provided by freight railroads to compensate for usage of track owned by SBCTA.

In total, Operating Revenue at \$690K is an increase of \$478K or 225.3% from FY25.

Expense consists of the following Major categories:

- Train Operations = \$14.1M
- Maintenance of Way = \$1.8M
- Administration and Services = \$2.2M
- Insurance and Legal = \$0.1M
- New Federal Regulation - CFR 245 & 246 = \$16K

The major expense drivers are:

- Equipment Maintenance = \$4.2M
- Train Operators = \$4.1M
- Security = \$2.6M (including both Sheriffs and Guards)
- MOW = \$1.8M
- Materials = \$1.4M
- Operations Salaries and Fringe Benefits = \$1.0M

Expenses total \$18.2M, an increase of \$0.7M or 3.9% from the FY25 Budget

Support required = \$17.5M, an increase of \$0.2M or 1.2% from the FY25 Budget.

Details of all elements of the FY26 Budget, comparisons to the adopted FY25 Budget, and Capital Project Details are attached.

- Attachment A - FY26 Proposed Operating Budget with Comparison to FY25 Budget
- Attachment B - Historical Actual and Budgeted Operating Statements - Arrow Service
- Attachment C - FY26 Proposed Operating Budget for Arrow Service

- Attachment D - History of actual and budgeted Operating Support with variances of FY26 vs FY25 for Arrow Service.
- Attachment E - FY26 SGR Request for Arrow Service.
- Attachment F - FY26 New Capital Request for Arrow Service
- Attachment G - FY26 Capital Program Cash Flow for Arrow Service

Budget Impact

There is no budget impact as a result of the transmission of this Proposed FY26 Budget.

Next Steps

- April 25: Board Approval of FY26 Budget transmittal to Member Agency
- May-June 2025: Staff presentations before Member Agencies' Committee and Board meetings, as requested.
- June 14: Request AFCOM recommendation for Board adoption of FY26 Budget.
- June 28: Board Adoption of FY26 Budget.

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

Approved by: Tom Schamber, Interim Chief Financial Officer

Attachment(s)

[Attachment A - Budget FY26 v FY25 - Arrow.pdf](#)

[Attachment B - Historical Budget - Arrow.pdf](#)

[Attachment C - Operating Budget - Arrow.pdf](#)

[Attachment D - Support - Arrow.pdf](#)

[Attachment E - FY26 SGR Request for Arrow Service.pdf](#)

[Attachment F - FY26 New Capital Request for Arrow Service.pdf](#)

[Attachment G - FY26 Capital Program Cash Flow for Arrow Service.pdf](#)

[Presentation - Proposed FY26 Arrow Service Budget](#)