



ITEM ID: 2024-181-0

TRANSMITTAL DATE: April 19, 2024

MEETING DATE: April 26, 2024

TO: Board of Directors

FROM: Arnold Hackett, Chief Financial Officer

SUBJECT: Proposed FY2024-2025 (FY25) 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. Arrow achieved revenue service in late October of 2022.

An approved budget is required to provide funding for this service for FY25.

This service is funded solely by SBCTA.

Subsequent to the presentation of this item to the Audit and Finance Committee Meeting of April 12, 2024, additional meetings with SBCTA resulted in a modification of their FY25 Budget as provided in the attachments and discussion below.

Recommendation

Audit and Finance Committee recommended (5-0) the Board of Directors approve transmittal of the FY2024-2025 Budget for Arrow Services 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

When Arrow Service began in October of 2022, no actual ridership, revenue, or expenses were available to guide development of an accurate budget. It was determined at that time, that third-party agreements would be used to cover costs of operations and capital.

At the mid-point of the FY24 Budget Development (December of 2023), there was still a lack of actual information available. It was determined that a Continuing Resolution in a final amount of \$15.0M would be provided to fund the operating cost for FY24, and this amount was subsequently approved by the SBCTA Board.

With more than a year of actual information now available, it was deemed feasible to produce annual operating and capital budgets for Arrow Services for FY25.

Discussion

The Proposed FY25 Arrow Service Budget was produced in collaboration with the staff of SBCTA.

The Proposed FY25 Operating Budget for Arrow Service reflects:

- Revenue of \$206K (estimated until Sperry Capital / KPMG forecast availability in late April 2024)
- Expense of \$15.7M
- Support required of \$15.5M

The comparisons of the Proposed FY25 Budget to the FY24 Continuing Resolution for Revenue, Expense and Support, including category details are shown in Attachment A.

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

The Proposed FY25 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 Continuing Resolution.

Capital Budget of \$1.5M

A New Capital request in the amount of \$1.5M is included in this budget request. The request covers the acquisition of a DMU Simulator.

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

Revenue

- Revenue consists of only Farebox Revenue, which has been determined by annualizing FY24 farebox revenue received through February of 2024. This extrapolation is a placeholder only. A forecast has been requested from KPMG/Sperry Capital, which will not be available until the end of April. Revenue does not include amounts from the Student Adventure Pass Program.

Expense consists of the following categories:

- Train Operations = \$12.1M
- Maintenance of Way = \$1.3M
- Administration and Services = \$2.2M
- Insurance and Legal = \$0.1M

The major expense drivers in this budget are;

- Train Operators = \$4.2M
- Equipment Maintenance = \$3.5M
- Security- Sheriffs = \$2.6M
- MOW = \$1.3M
- Operations Salaries and Fringe Benefits = \$1.1M

Support required = \$15.5M

Details of all elements of the FY25 Budget, comparisons to the adopted FY24 Continuing Resolution, and Capital Project Details are attached.

- Attachment A - FY25 Proposed Operating Budget with Comparison to FY24 Continuing Resolution - Arrow Service
- Attachment B - Historical Actual and Budgeted Operating Statements - Arrow Service
- Attachment C - FY25 Proposed Operating Budget - Arrow Service
- Attachment D - History of actual and budgeted Operating Support with variances of FY25 vs FY24 - Arrow Service
- Attachment E - FY25 Capital Request for Arrow Service.

Budget Impact

There is no budget impact as a result of the transmission of this Proposed FY25 Budget.

Next Steps

- April 26: Board Approval of FY25 Budget transmittal to Member Agency
- May-June 2024: Staff presentations before Member Agencies' Committee and Board meetings, as requested.
- June 14: Request AFCOM recommendation for Board adoption of FY25 Budget and 4-year forecast
- June 28: Board Adoption of FY25 Budget and approval of 4-year forecast.

Prepared by: Christine J. Wilson, Senior Manager, Finance

Approved by: Arnold Hackett, Chief Financial Officer

Attachment(s)

[Attachment A - FY25 Proposed Operating Budget with Comparison to FY24 Continuing Resolution](#)

[Attachment B - Historical Actual and Budgeted Operating Statements](#)

[Attachment D - History of actual and budgeted Operating Support with variances of FY25 vs FY24](#)

[Attachment C - FY25 Proposed Operating Budget](#)

[Attachment E - FY25 Capital Request for Arrow Service](#)

[Presentation - Proposed FY2024-2025 \(FY25\) Arrow Service Budget](#)