



ITEM ID: 2025-254-0

TRANSMITTAL DATE: June 20, 2025

MEETING DATE: June 27, 2025

TO: Board of Directors

FROM: Tom Schamber, Interim Chief Financial Officer

SUBJECT: Adoption of the FY 2025-2026 (FY26) Metrolink Budget, Approval of FY26 Annual Contract Authority, and FY26 Salary Resolution, and Approval of Operating Forecasts for the four years FY2026-27 (FY27) through FY2029-30 (FY30)

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 FY2025-26 (FY26) 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 2027 through 2030 is also requested at the time of budget adoption. In addition, the FY26 Annual Contract Authority and the FY26 Salary Resolution are submitted for approval as a part of the Budget Adoption process.

Recommendation

It is recommended that the Board:

1. Conduct a Public Hearing; and
2. Adopt the Proposed FY26 Budget; and
3. Approve FY26 Annual Contract Authority; and
4. Approve the FY26 Salary Resolution; and
5. Approve the Proposed Budget Forecasts for Fiscal Years FY27 through FY30

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 FY26 Budget has been constructed in collaboration with Member Agencies' staff and CEOs to provide support to each of Metrolink's strategic goals.

Background

Public Hearing Requirement:

Members of the public will be notified of the June 27, 2025, public hearing in accordance with applicable requirements, by advertisements in newspapers and publications in English and foreign languages, throughout the five- county areas served by the Authority in the following newspapers (listed by newspaper, audience and language):

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
LA Sentinel (African American), English
Asbarez Armenian Media Network (Armenian), Armenian Beirut Times (Arabic/Lebanese), Arabic/Lebanese Panorama (Russian), Russian La Opinion (Spanish), Spanish
Rafu Shimpo (Japanese), Japanese
World Journal (Chinese), Chinese
The Korea Times (Korean), Korean
Asian Journal (Tagalog), Tagalog
Nguoi Viet Daily News (Vietnamese), Vietnamese
Iranshahr Weekly (Persian), Persian

The Metrolink's Proposed FY26 Budget is posted on the metrolinktrains.com website. The Proposed FY26 Metrolink Budget with all attachments was transmitted to all Member Agencies for their consideration and adoption on April 30, 2025.

Budget Background

Metrolink is transforming itself from a commuter rail to a regional rail, providing transportation services that align with the post-pandemic world of changed work modes and commuting patterns. Metrolink is also responding to the fact that it can no longer depend on commuters alone to support ridership and revenue growth.

Growing ridership must now come through reimagining Metrolink to provide service to a wider audience across the region. Metrolink must provide service to a multitude of audiences and purposes, including commuters, students, and leisure travelers to events, beaches, shopping, and family gatherings.

Member Agency CEOs encouraged Metrolink to partner with consultants to review our service and equipment usage. The results of this partnership led to the Optimized Service schedule which Metrolink implemented in October 2024.

The Proposed FY26 Operating Budget is based on the Optimized Service created by that effort and further refined. It included the addition of 32 trains to allow for pulse departures and fill in mid-day service gaps. As with any new and innovative initiative, time must be allowed to let the results reach their full potential. Consultants advise that two years are required before results can reasonably be evaluated.

Discussion

Kickoff meetings for the FY26 Budget were conducted in mid-September 2024. Budget amounts were proposed considering:

- Overarching goal of safety, and operational efficiency;
- Fiscal sustainability for our Member Agencies;
- Solutions to achieve improvements to farebox revenue;
- Condition of assets;
- Contractual obligations;
- Known adjustments for the forthcoming year;

The budget requests were submitted and subsequently analyzed and reviewed by staff. Internal meetings were concluded in early February. The Metrolink CFO conducted meetings with each of the Member Agency CFOs and staff in February. In response to Member Agency feedback, staff began to identify additional areas where the budget request could be reduced. Additional meetings were held with Member Agency CFOs on February 5th and 6th, February 19th through the 21st, and March 12th through the 14th. Questions were submitted and responses shared with all Member Agencies on February 11th and March 2nd. With the conclusion of Member Agency meetings, staff had reduced the Operating Budget request by \$10.1M, the SGR request was reduced by \$41.9M, and the New Capital request was reduced by \$15.6M. The Proposed FY26 Budget was reviewed with the Member Agency Advisory Committee (MAAC) on April 3rd. An overview of the Proposed FY26 Budget for Operations and the Capital Program detailing the total request for support was reviewed with the Member Agencies' Chief Executive Officers during the February 21st and March 21st monthly meetings.

Foundation for Proposed FY26 Budget

The Proposed FY26 Budget provides funding to achieve:

- Continued emphasis on safe operations
- Investment in existing and new assets to maintain a state of good repair
- Funding for preparation for the 2028 Los Angeles Olympics Programs to generate increased ridership

FY26 Operating Budget Assumptions:

Service

- Continuation of Optimized Service (full year in FY26)

Revenue

- Ridership and Revenue Forecast as provided by Sperry Capital/KPMG
- No fare increases
- Fare Restructure
- Student/Youth discount at 50%

Expense

- Contractor increases only as mandated by agreements
- New Train Operator/Rolling Stock Maintenance/Facility Maintenance Contract
- 3% Merit Pool and 3% COLA
- 4 New FTE Headcounts (2-New CFR Regulations, 1 Legal, 1 Outside '20 for LA Metro)
- 2028 Olympics Readiness
- No Special Trains

Reporting:

- Monthly
- Formal Mid-Year Budget Review
- Arrow Service as a separate budget funded by SBCTA

FY26 Operating Budget Details

Proposed Total Operating Revenues are \$76.9M and reflect a projected net increase of \$8.9M or 13.1% from the FY2024-2025 (FY25) Budget. The year-over-year changes are detailed below in the Operating Revenues section.

Expenditures are \$352.4M and reflect an increase of \$20.4M or 6.1% higher than the FY25 Budget. Details of the year-over-year expense change are explained below in the Operating Expenditures section.

The required Operating Support is \$275.5M and is an increase of \$11.5M or 4.4% from the FY25 Budget. (See Attachment A for comparisons). The Proposed FY26 Budget Operating Statement by detailed categories compared to the FY25 Budget, by Member Agency, by Line, and historically over the last five years are included as Attachments B, C, D, and E.

Operating Revenues

Operating Revenues include Farebox, Dispatching, and Maintenance-of-Way (MOW) Revenues, and Other Revenues, such as bank interest, sales of scrap materials, auctions of obsolete equipment, and other minor miscellaneous revenues. Operating Revenues are

estimated to total \$76.9M for FY26, an increase of \$8.9M or 13.1% compared to the FY25 Budget.

Farebox Revenue, which is the largest component of the Total Operating Revenue, is projected at \$51.7M, an increase of \$6.4M or 14.1% compared to the FY25 Budget. Other subsidies for fares including \$3.6M in a LCTOP grant for reduced student fares, and \$2.6M in Access Rider support are added to the farebox to arrive at a Pro Forma Farebox Revenue totaling \$58.3M, an increase of \$9.9M over FY25.

Dispatching and MOW revenues from the freight railroads and Amtrak are based on existing agreements at the forecasted rate of usage. The budget of \$2.3M for Dispatching Revenue reflects an increase of less than \$0.1M as compared to the FY25 Budget. The MOW Revenue is \$13.5M reflecting an increase of \$0.4M, or 3.0% as compared to the FY25 Budget. Other Revenues are budgeted at \$2.9M, a decrease of \$1.5M or 34%. This significant decrease is the result of lower projected bank interest on funds.

Operating Expenditures

Operating Expenditures are presented in the following four categories: Train Operations, Maintenance-of-Way (MOW), Administration and Services, and Insurance. Comparisons are to the FY25 Budget.

The Train Operations component of the Operating budget contains costs to provide Metrolink rail services across the six-county service areas, which includes the direct costs of railroad operations, equipment maintenance, and required support costs. The Proposed FY26 Budget for expenditures related to Train Operations including contingency is \$202.0M an increase of 10.3% from the FY25 Budget.

MOW expenditures are costs to perform the inspections and repairs on rails, signals, and structures needed to ensure reliable, safe, efficient operation of trains, and the safety of the public. The Proposed FY26 Budget amount for expenditures related to MOW is \$62.9M, an increase of \$8.3M or 15.2% from the FY25 Budget.

Administration and Services include internal expenditures related to Train Operations. The Proposed FY26 Budget for expenditures related to Administration & Services is \$60.2M, an increase of 6.9% as compared to the FY25 Budget.

The category of Insurance and Legal is \$22.9M for the Proposed FY26 Budget, a decrease of \$0.4M or 1.7% from the FY25 Budget.

Also included in the FY26 Budget and shown as separate items are \$1.1M for 2028 Olympics Readiness, \$0.5M for the new federal regulation CFR 245-246 compliance, and \$2.9M for Maintenance of Outside 20' funded by LA Metro. Overall, the total Proposed FY26 Budget for expenditures is \$352.4M and has increased from the FY25 Budget by \$20.4M or 6.1%. The components of this change are as described below.

Total Train Operations have increased by \$18.9M or 10.3% from the FY25 Budget. The primary drivers of this increase are:

- Train Operator Services have increased \$6.5M or 13.6%. \$1.6M of this increase is a full year of Optimized Service (compared to nine months in FY25), the balance is a combination of a salary increase for union rail workers and the expected annual

increase;

- Equipment Maintenance increase of 2.3% was the result of the new "Mini-Bundle" agreement;
- Materials have increased \$2.8M or 22.8% as a result of all rolling stock now out of warranty. Metrolink is the only owner of F125 Locomotives, making replacement parts expensive;
- Operating Facilities Maintenance increased by \$2.7M or 107.2%;
- LA Sheriffs increased by \$1.0M or 7.8% due to county mandated increases for the Los Angeles Sheriff's Department;
- SB Sheriffs are \$3.3M and new in FY26, funded entirely by SBCTA;
- TVM Maintenance has increased by \$1.1M primarily as a result of forecasted increased bank charges for credit cards on higher revenue;
- MOW has increased by \$8.3M or 15.2% from the FY25 Budget as a result of increases to Herzog track and signal maintenance.

Administration and Services have increased from FY25 Budget by \$3.9M or 6.9%. The primary drivers of this increase are:

- An increase to Operations Salaries & Benefits by \$1.8M or 10.1%
- An increase of \$2.5M or 10.1% in charges to Indirect Administrative.

Total Insurance and Legal expense has decreased by \$0.4M or 1.7% from the FY25 Budget, due to a projection of Property and Liability Insurance premiums lower by \$0.4M or 2.1%

Member Agency Operating Support

Member Agency support is required to fund the difference between the total costs of operations and forecasted revenues. The Proposed FY26 Budget estimates total Member Agency support is needed in the amount of \$275.5M or an increase of \$11.5M or 4.4% from the FY25 Budget. The Budget Summary Comparison (Attachment E) includes a year-over-year comparison of net operating support by Member Agency. In response to Member Agency requests, this schedule reflects the FY26 Proposed Member Agency support in whole dollars which are required to create Member Agency Board requests.

Capital Program Budget

State of Good Repair

For State of Good Repair (SGR) the Proposed FY26 Budget was developed based on the Metrolink Rehabilitation Plan (MRP) which was created in fulfillment of the Transit Asset Management (TAM) requirement, and to address the Authority's SGR needs. The MRP addresses two critical elements:

- **Backlog:** Total cost of renovating all assets to achieve a current SGR
- **SGR:** Annual cost of keeping assets in a State of Good Repair

The FY26 budget request addresses only the SGR or annual cost of keeping assets in a State of Good Repair. The current backlog is estimated to be over \$1.0 billion.

SGR:

The SGR authorization request for FY26 was identified as necessary investments to maintain a SGR. These projects total \$137.5M, a decrease of \$22.1M or 13.9%. 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 authorization request for FY26 was identified as necessary for safe and efficient rail operations. These projects total \$15.6M, an increase from the FY25 request of \$9.7M or 164.4%. The projects are presented by Member Agency, by Line, and by individual project with locations and descriptions in Attachment G. Carryover Capital Projects are also a portion of the budget. For FY26 SGR Carryover Projects total \$365.3M as shown in Attachment H. For FY26 New Capital Carryover Projects total \$92.3M as shown in Attachment I. A Capital Program cash flow forecast by year is included to indicate the amounts we anticipate billing to each Member Agency. This is Attachment J.

Multi-Year Forecasts

Operating Budget Forecasts for FY27, FY28, FY29, and FY30. In Attachments K-1 thru K-4 we present forecasts which adhere to the principal discussed in CFO meetings of remaining within an increase of not more than 5% to Member Agency Support each year. 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.

Annual Salary Resolution

Each year a report is presented with the Annual Budget, requesting Board approval of the annual Salary Resolution, which presents FTE headcount, grade range structure, a proposed position roster, and classification and salary plan. For FY26 the new FTE Headcount is 287. At FY25, the headcount was 285. As shown on the Resolution, two positions were eliminated and four positions were added, for a net increase of two positions.

Operating Budget Attachments

The attachments listed below provide additional detail on the FY26 Proposed Budget for Operating as described:

- Attachment A - FY26 Proposed Operating Budget with Comparison to FY25
- Attachment B - Historical Actual and Budgeted Operating Statements
- Attachment C - FY26 Proposed Operating Budget by Member Agency
- Attachment D - FY26 Proposed Operating Budget by Line
- Attachment E - History of Actual and Budgeted Operating Support by Member Agency

Capital Program Budget Attachments

The attachments listed below provide additional detail on the FY26 Proposed Budget for the Capital Program as described:

- Attachment F - FY26 Proposed SGR Projects by Member Agency, Line, and Project Detail List
- Attachment G - FY26 Proposed New Capital by Member Agency, Line, and Project Detail List
- Attachment H - FY26 SGR Carryover Projects
- Attachment I - FY26 New Capital Carryover Projects
- Attachment J - FY26 Proposed Capital Program Cashflow

Multi-Year Forecast

Attachment K - Four-year forecast based on maximum 5% increase sustainability

Annual Contract Renewal

Attachment L - Annual Contract Authority Renewal

Annual Salary Resolution

Attachment SR - FY2025-26 Salary Resolution

Attachment SR-1 - FY26 Proposed Salary Grade Range Structure

Attachment SR-2 - FY26 Proposed Budgeted Position Roster

Attachment SR-3 - FY26 Proposed Classification and Salary Plan

Budget Impact

Adoption of the Proposed FY26 Budget will create a budget and spending authority for Metrolink for the fiscal year 2025-2026.

Next Steps

Upon recommendation of the AFCOM directors on June 13, on June 27 the Board will hold a public hearing and consider for adoption the FY26 Budget and approval the 4-year forecasts, Annual Contract Authority renewals, and the FY26 Salary Resolution.

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

Approved by: Tom Schamber, Interim Chief Financial Officer

Attachment(s)

Attachment A - Operating Budget

Attachment B - Historical Budget

Attachment C - Budget by Member Agency

Attachment D - Budget by Line

Attachment E - Support by Member Agency

Attachment F - FY26 Proposed SGR Projects by Member Agency Line and Project Detail

Attachment G - FY26 Proposed New Capital by Member Agency, Line, and Project Detail List

Attachment H - FY26 SGR Carryover Projects

Attachment I - FY26 New Capital Carryover Projects

Attachment J - FY26 Proposed Capital Program Cashflow

Attachment K-1 - FY27 Forecast

Attachment K-2 - FY28 Forecast

Attachment K-3 - FY29 Forecast

Attachment K-4 - FY30 Forecast

Attachment L - Annual Contract Authority Renewal

Attachment SR - FY26 Salary Resolution Effective July 1

Attachment SR-1 - FY26 Proposed Salary Grade Range Structure Effective July 1

Attachment SR-2 - FY26 Proposed Budgeted Position Roster Effective July 1

Attachment SR-3 - FY26 Proposed Classification and Salary Plan Effective July 1

Presentation - Proposed FY26 Budget