



ITEM ID: 2026-223-0

TRANSMITTAL DATE: May 15, 2026

MEETING DATE: May 22, 2026

TO: Board of Directors

FROM: Tom Schamber, Chief Financial Officer

SUBJECT: Forecast of Financial Results for FY26 through June 30, 2026

Issue

Each year following the close of the third quarter, staff presents a forecast to provide the estimated financial results at year end.

Recommendation

Receive and file.

Strategic Commitment

This report aligns with the Strategic Business Plan commitments of:

- **Safety is Foundational:** We will stay on 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 public transit opportunities for all communities throughout Southern California.

Background

This estimate to year-end is constructed by an individual canvass of each cost center to collect their evaluation of the funds they will spend in the last quarter of the year. This single quarter estimate is then added to the three quarters of actuals. The results are then reviewed thoroughly for reasonableness.

Discussion

Metrolink

For FY26 our forecast shows:

- Operating Revenue of \$63.2M, which is \$13.7M or 17.8% under budget.
- Expenses are \$333.7M, which is \$18.7M or 5.3% under budget.
- Surplus for Member Agencies is \$5.1M or 1.8%, which includes a \$121K profit on unbudgeted Special Trains.

The major variances from the budget and explanations are below:

Operating Revenue is under budget primarily due to inaccurate Farebox forecasting. Farebox was forecast at \$51.7M, while actual Farebox Revenue is \$36.9M, a shortfall of \$14.8M or 28.6%. It should be recognized that there is no precedent for post-COVID behavior. We had Sperry Capital/KPMG produce a refreshed Forecast in January of FY26, and it has proven to be far more accurate.

The Student/Youth Discount subsidy decreased in tandem with the Farebox. Mobility for All was unbudgeted because we were unsure of funding when the budget was prepared. Increased earnings in Dispatching, Other, and MOW Revenues offset the shortfall by slightly over \$1.2M.

Expenses are under by \$18.7M or 5.3%. Many expense categories are under budget by less than 5%. Those under or over more than 5% and more than \$300K are as follows:

- Fuel is under \$2.7M or 8.6%. Our hedging program has prevented us from incurring losses due to the global fuel situation. We are hedged out to October. TVM Maintenance is under budget by \$881K or 14.6%. Lower revenue means we pay less commission on mobile app purchases.
- Marketing is under budget by \$339K, or 9.9%, due to vendor changes that slowed campaigns.
- Transfers to Other Operators were over budget by \$457K or 15.8%. The proportion of transfers has increased.
- Amtrak Transfers are over budget \$662K or 96.2%. Service reductions have increased the use of Amtrak Rail-to-Rail, and transfer fees increased from \$7 per rider to \$10, or 43%.

- Station Maintenance is under budget by \$2.0M or 28.8%. This is the result of activities planned for Union Station that were not carried out as part of the Metrolink share of Union Station Common Area Maintenance.
- Rail Agreements are under budget by \$516K or 7%. Service reductions lead to lower foreign track and dispatch usage.
- MOW Labor and Benefits is over \$542K or 11.3%. Some staff hours budgeted for capital activities were actually spent on and charged to Operations.
- MOW Overhead expenses are under budget by \$1.2M or 26.9%. This variance is partially due to less back-office expense than budgeted and a revision of the allocation percentage charged to MOW.
- MOW Extraordinary Maintenance is under \$362K or 43.8% due to fewer incidents with damage.
- Ops Non-Labor Expenses are under budget by \$1.3M or 11.0%. The majority of the difference is in PTC, which has difficulty finding consulting experts to perform planned projects.
- Indirect Administrative Expenses are under budget by \$2.4M, or 9.0%, due to lower back-office expenses and a change in the allocation rate to Operations.
- Ops Professional Services are under budget by \$658K or 32.2%. Consultants were used less than anticipated.
- Insurance was under budget by \$1.9M, or 10.2%, due to favorable premium negotiations.
- Net Claims / SI was under budget by \$1.1M or 58%. The board requested that extra funds be budgeted as a reserve against liability claims.
- Mega Events is under budget \$687K or 42.4%. Some funds intended for Olympics planning were not spent.
- Outside '20 is under by \$861K or 29.8%. This activity began later than anticipated due to delays in executing an MOU.

Note that there was very little savings in Train Operators, even with service reductions, resulting from the need for "rescue trains" to respond to mechanical problems, and a late billing from Amtrak for prior year services.

The total Surplus for the year is \$5.1M, which is a 1.8% variance from the requested Support. A copy of the FY26 Forecasted Year-End Metrolink Operating Statement is attached for your review.

Arrow Service

For FY26 our forecast shows:

- Operating Revenue of \$544K, which is \$145K or 21% under budget.
- Expenses of \$15.6M, which is \$2.7M or 14.5% under budget.
- Surplus is \$2.5M

The unfavorable variance in Operating Revenue is primarily due to the end of the Student Adventure Pass Program.

In Expenses, the main drivers are as follows:

Train Operators are under budget by \$991K or 23.9%. This was caused by the use of an allocation rate for the first year of Alstom's services. Actual costs will be used in FY27.

- Materials are under budget by \$1.0M or 74.6%. Materials management was taken over by Stadler and charged through their billings. The actual expense is reflected in the equipment maintenance line.
- Ops Salaries and Benefits are under budget, \$258K or 25.6%, due to a budgeting error.

A copy of the FY26 Forecasted Year-End Arrow Service Operating Statement is attached for yo

Next Steps

When the year-end reconciliation is complete, we will provide comparisons between the actuals and our forecast.

Prepared by: Christine Wilson, Assistant Director, Finance

Approved by: Tom Schamber, Chief Financial Officer

Attachment(s)

[Attachment A - Metrolink Year-End Forecast Operating Statement](#)

[Attachment B - Arrow Year-End Forecast Operating Statement](#)

[Presentation - 2026 Metrolink Financial Forecast](#)