



Board Report

File #: 2024-0282, File Type: Program

Agenda Number: 11.

FINANCE, BUDGET AND AUDIT COMMITTEE  
JUNE 20, 2024

SUBJECT: METROLINK FY 2024-25 ANNUAL WORK PROGRAM AND REGIONAL RAIL SUPPORTIVE ACTIONS

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

CONSIDER:

- A. APPROVING programming the Los Angeles County Metropolitan Transportation Authority’s (“Metro”) share of the Southern California Regional Rail Authority’s (SCRRA) Fiscal Year (FY) 2024-25 Operating, Rehabilitation, and Capital Budget in the amount of \$206,833,180 as described in Attachment A;
- B. APPROVING the increase of funding to SCRRA for Right-Of-Way (ROW) maintenance along Metro-owned property beyond the 20-foot center of track from \$1,195,916 to \$2,920,232 (addition of \$1,724,316) beginning FY 2024-25 and increasing by the Consumer Price Index thereafter;
- C. APPROVING additional funding in the amount of up to \$500,000 using FY23 surplus SCRRA-dedicated funds for Metro’s share of the San Bernardino Line 25% Fare Reduction Program and extending the program date from June 30, 2023, to June 30, 2025;
- D. EXTENDING the lapsing dates for funds previously allocated to SCRRA for State of Good Repair (SGR) and capital project Memoranda of Understanding (MOUs) as follows:
  - Ticket Vending Machine (TVM) Replacement Project extended from June 30, 2023, to June 30, 2026
  - FY 2016-17 SGR Program extended from June 30, 2024, to June 30, 2025
  - Doran Street Grade Separation Project extended from June 30, 2024, to June 30, 2027
  - Antelope Valley Line (AVL) Plans, Specifications, and Estimates Project extended from June 30, 2025, to June 30, 2026;
- E. APPROVING the FY 2024-25 Transfers to Other Operators’ payment rate of \$1.10 per boarding to Metro and an EZ Pass reimbursement cap to Metro of \$5,592,000;
- F. AMENDING the FY25 Budget to include \$29.29 million for the SCRRA Working Capital Fund;

and

- G. AUTHORIZING the Chief Executive Officer to negotiate and execute all necessary agreements between Metro and SCRRA for the approved funding.

### **ISSUE**

Metro is a member of the SCRRA Joint Powers Authority (JPA), operator of the “Metrolink” regional commuter rail service. The JPA requires member agencies on an annual basis to approve their share of the SCRRA budget, comprising Metrolink Operations, SGR, and New Capital projects. SCRRA transmitted the FY 2024-25 budget to the JPA member agencies on May 6, 2024 (Attachment A). SCRRA is seeking member agency approval before adopting their FY 2024-25 budget on June 28, 2024.

### **BACKGROUND**

SCRRA operates the Metrolink commuter rail service within Los Angeles County, the surrounding counties of Orange, Riverside, San Bernardino, and Ventura, and northern San Diego County. Metrolink service is complemented by the Los Angeles-San Diego-San Luis Obispo (LOSSAN) intercity rail corridor operated by Amtrak, which will connect directly into the future high-speed rail network being built by the California High-Speed Rail Authority and Brightline West.

Metro, as the regional transportation planning agency for LA County, works with Metrolink and other rail operators to plan and develop a more holistic, seamless, and multimodal approach to moving people through LA County and southern California between local communities and regional destinations. A majority of Metrolink’s budget derives from funding allocated by the Metro Board of Directors, of which four members serve as Board members for Metrolink. This report includes staff recommendations for funding Metro’s contribution to the FY 2024-25 Metrolink budget.

Metro’s ability to deliver better mobility, air quality, and economic opportunity for LA County residents and reduce greenhouse gas (GHG) emissions and vehicle miles traveled (VMT) in the region depends in part on an effective working relationship with Metrolink, LOSSAN, and other transit operators in the region. To that end, the CEO created the Multimodal Integrated Planning (MIP) unit in the Countywide Planning and Development Department (CPD) to better align and coordinate planning for and with Metrolink, LOSSAN, and other rail operators so that Metro can better serve local communities and improve LA County’s regional transportation system and air quality.

### **DISCUSSION**

#### **RECOMMENDATION A**

Recommendation A will provide \$206,833,180 in funding for Metro’s JPA member agency share of SCRRA’s FY 2024-25 Budget, consisting of \$136,459,830 (excludes \$1,300,000 for ROW Maintenance that is included in Recommendation B. These two amounts total \$137,759,830) for Metrolink Commuter Rail Operations and \$70,373,350 combined for SGR and New Capital projects.

Metrolink Commuter Rail Operations - \$137,759,830

SCRRA’s total FY 2024-25 Budget request for Metrolink Commuter Rail Operations from all JPA

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Member Agencies is \$264,028,362. Metro's share of Metrolink Commuter Rail Operations is \$137,759,380 which is a \$9,666,515 increase (7.5%) over FY 2023-24 funding levels. The increase in required member agency subsidy is attributable primarily to increased Metrolink train and engine crews for service expansion, increased fuel costs, annual fixed operating contract escalators of 3% to 5%, increased system security, station maintenance, and one-time start-up costs for a new train and engine crew contract.

As part of the FY 2024-25 budget, Metrolink seeks to restore service which was eliminated during the COVID pandemic and at the same time, respond to the changing commuter patterns in the post-COVID environment by becoming an all-day and weekend regional rail operator instead of strictly a commuter rail (peak hour) service (see Hybrid Optimized Service Level presentation contained in Attachment A). This service optimization will allocate resources and crews more efficiently by operating more midday and off-peak service, and add 36 weekday trains, to provide 30-minute bi-directional service from LA Union Station to Covina on the San Bernardino Line. In September 2023, the Metro Board approved funding to restore weekday and add additional weekend trips on Metrolink's AVL to fill gaps in midday and late-night service. This action has demonstrated the proof of concept of regional rail service, reaching new riders and resulting in 18% ridership growth on the AVL since the service was added in October 2023. The member agencies continue to work collaboratively with SCRRA to ensure that appropriate and cost-effective service levels are implemented.

Metro does have concerns that Metrolink's costs, as well as the amount of member subsidy requested to support operations, continue to increase, with member agencies now shouldering 80% of a higher level of current operating costs compared to only 49% pre-COVID. This trend is not sustainable as Metro's share of Metrolink's rapidly increasing operating requests exceeds Metro's annual sales tax revenues dedicated to Metrolink Operations (Proposition C 10% and Measure M 1%). In addition, Metrolink's operating costs have increased \$91 million in five years with no substantial increase in ridership or fare revenue.

Metro staff recommends working with Metrolink and the other member agencies to identify cost savings opportunities and new external funding sources to supplement constrained sales tax revenues. The current member agency subsidy requirements are unsustainable, especially as service expands when the Southern California Optimized Rail Expansion (SCORE) program is implemented. Reduced office building occupancy rates, as well as the continued trend of telecommuting, suggest Metrolink ridership will continue to be well below pre-COVID levels. A thoughtful development of a strategic plan to target non-returning riders, identify new markets and implement new fare media strategies and modified service to respond to the "new normal" of changing trip patterns is necessary.

The Student Adventure Pass (SAP) is an excellent example of what reduced or innovative fare products can accomplish. The SAP is funded by a grant received through the Low Carbon Transit Operations Program (LCTOP) and provides free Metrolink fare for K-12, technical school, college, and university students. The demand for SAP usage exceeds available grant funding and will require additional funding support to continue in FY 2024-25 and beyond. Metro is supportive of the SAP but will request that Metrolink take a regional approach to partner with the universities and colleges in the service area to develop a cost-sharing arrangement to offset member agency contributions, given the

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rising costs and the potential for LCTOP funds not to be available in future years for this program. Given the subsidized SAP's positive impact on increasing ridership, Metro requests that Metrolink consider more innovative fare structuring and targeted fare reduction programs to generate ridership for underperforming trains to bring more riders and revenue onto Metrolink's system using existing service to increase ridership beyond simply adding more service.

### SGR and New Capital Projects - \$70,373,350

Through the annual budget process, SCRRA requests SGR and New Capital project funding, which will maintain the Metrolink commuter rail system in a state of good repair, ensuring a healthy safety culture, creating better service reliability, and improving service along the ROW, which Metro owns 152 miles. Metrolink's FY 2024-25 total SGR and New Capital budget request from all the JPA member agencies is \$167,539,750, consisting of \$161,614,750 for SGR and \$5,925,000 for New Capital Projects (see SGR and New Capital Project List in Attachment A). Metro's member agency share is \$70,373,350 (42% of the total \$167,539,750) for the FY 2024-25 Rehabilitation and Capital projects, consisting of the following:

- \$60,193,225 for thirty-one (31) systemwide SGR projects, costs to be shared by all JPA member agencies, for projects such as rebuilding and rehabilitating Bombardier and Rotem rail cars and rolling stock as a whole, track rehabilitation, positive train control enhancements, back-office communications, replacing maintenance of way vehicles and equipment, rehabilitating bridges, culverts and tunnels and building facilities;
- \$7,365,750 for four (4) line-specific projects on the San Bernardino and Antelope Valley Lines to rehabilitate control points, signals, crossings, wood and concrete tie replacement, grade crossing improvements, and ballast replacements;
- \$2,814,375 for six (6) New Capital Projects comprising new train control simulators and wayside detectors, electric vehicle (EV) infrastructure, Union Station West Portal Olympic readiness ticket office upgrade, Central Maintenance Facility (CMF) locomotive and shop upgrades, and a new positive train (PTC) control data center location.

Metro staff has been working collaboratively with SCRRA and the other member agencies to review Metrolink's FY25 SGR and New Capital programs, which align with the JPA member agencies' funding commitments. Staff continue to work with SCRRA to prioritize urgent SGR track, bridges, culverts, structures, and signal projects to maintain safety and service reliability.

## **RECOMMENDATION B**

### ROW Maintenance Funding - \$2,920,232

Metrolink maintains Metro-owned ROW within 20 feet of the center of track with funding Metro provides as part of the annual budget process. In addition, Metro currently contracts with SCRRA to maintain Metro-owned ROW that is beyond the 20-foot center of track up to Metro's property line which is not included in the SCRRA annual budget. Services for both efforts include trash removal, graffiti abatement, fence repair, homeless encampment removal, tree trimming, and weed abatement. The SCRRA annual budget for FY 2024-25 for the services beyond 20 feet from center of track is \$1,195,916. SCRRA is requesting an increase of \$1,724,316 for FY 2024-25 for a total of \$2,920,232

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to adequately maintain Metro-owned ROW beyond 20 feet from center of track. Metro assessed bringing this function in house, however, based on the required safety training, track closures, familiarity with heavy rail Class 1 train operations, established relationships with BNSF Railway and Union Pacific Railroad, and bids received from Metro maintenance contractors, Metro determined that retaining Metrolink to maintain our ROW is the most efficient and cost-effective option.

To streamline and centralize Metro's ROW maintenance responsibility, beginning in FY 2024-25, Metro will also incorporate the maintenance of ROW beyond the 20 feet from center of track to Metro's property line into the existing scope and funding in the SCRRA annual work program MOU and monitored by CPD.

Recommendation B will establish ROW funding in the amount of \$2,920,232 annually beginning in FY 2024-25 and will be adjusted by the Consumer Price Index. Metro partners closely with SCRRA, the City of Los Angeles, law enforcement, and other local agencies to address safety and homeless encampment issues along the Metro-owned ROW and ensure its proper maintenance.

## **RECOMMENDATION C**

### Extend San Bernardino Line 25% Fare Reduction Program - \$500,000

In April 2018 (File #2018-0099) and May 2019 (File #2019-0228), the Metro Board approved programming \$4,190,969 to support the San Bernardino Line (SBL) 25% Fare Reduction 12-month pilot program in collaboration with the San Bernardino County Transportation Authority (SBCTA) for fiscal years 2018-19 through 2022-23. The pilot program, modeled after a prior successful pilot program on the Metrolink AVL, was designed to increase SBL ridership by offering a 25% price reduction on all fare types on the SBL between Los Angeles and downtown San Bernardino excluding the Weekend Day Pass.

Per the terms of the MOU between Metro and SCRRA, a Title VI analysis was performed, and based upon the initial 10% growth in ridership, in November 2018 the program became part of Metrolink's permanent fare structure. The MOU required Metrolink to conduct a ridership and revenue analysis at the beginning of FY 2021-22 to determine if the programmed funding was sufficient for the program to achieve the projected revenues breakeven period by the end of FY 2022-23. Due to staff changes and the COVID pandemic, the ridership and revenue analysis was not completed by Metrolink.

Although the program analysis has not been completed, Metrolink has provided the program costs from inception through March 31, 2024, reflecting a \$120,640 remaining balance from the \$4,190,969 originally programmed. Staff is requesting an extension of the program through the end of FY 2025 and an additional \$500,000 for expenditures incurred since July 1, 2023, and anticipated to be incurred through June 30, 2025, to allow Metrolink sufficient time to complete their analysis and continue providing this successful fare product until the analysis is completed. Staff will return to the Board with a program recommendation after reviewing Metrolink's analysis.

## **RECOMMENDATION D**

### Extend Lapsing Dates for Four SGR and Capital MOUs

SCRRA rehabilitation/renovation and capital projects maintain Metrolink's system safety and safety culture, ensure state of good repair, and modernize the Metrolink system. SCRRA's project delivery schedule for rehabilitation/renovation projects span over a five-year period.

Recommendation D will extend four items (one SCRRA SGR and three capital project MOUs) that would otherwise lapse on or before June 30, 2024. Due to unforeseen material supplier delays and project work delays, time extensions are being requested. SCRRA indicated that their work is in progress and many projects are close to completion and will be completed and invoiced by the requested extension date.

## **RECOMMENDATION E**

### Transfers to Other Operators' Reimbursement Rate to Metro

SCRRA reimburses Metro for Metrolink riders who transfer to and from Metro services at no charge, including the Metro rail system hub at Union Station, through the EZ Transit Program.

Recommendation E affirms that the reimbursement rate to Metro remains at \$1.10 for FY 2024-25, the same as for FY 2023-24, and that the current EZ Transit Pass cap of \$5,592,000 be honored.

## **DETERMINATION OF SAFETY IMPACT**

Approval of these recommendations will improve safety for Metrolink passengers and local communities in which Metrolink operates. All Metrolink operations, SGR, and new capital projects will comply with applicable Federal Railroad Administration, California Public Utilities Commission, and other regulatory standards. Through approval of this item Metro will be funding safety-related improvements on the Metrolink system to support safer travel of LA County residents and visitors.

## **FINANCIAL IMPACT**

Recommendation A will provide \$206,833,180 to fund Metro's commitment to SCRRA for the FY 2024-25 Metrolink Annual Work Program. Metro's share of Commuter Rail Operations will be funded with \$136,459,830 in new Proposition C 10% / Measure M 1% funds which are designated for commuter rail purposes. Metro's FY 2024-25 Budget will be amended in accordance with Recommendation A. Please note that SCRRA provided an estimate of the hybrid mobilization costs which are included in Metro's \$137,759,830 FY25 Commuter Rail Operations share. However, these costs may be higher or lower depending on the bids Metrolink receives. Please also note that SCRRA included \$1,300,000 for Metro-owned ROW Maintenance beyond 20 feet of center track in the \$137,759,830 FY25 Commuter Rail Operations share amount which is also included in Recommendation B. Therefore, Recommendation A was reduced to \$136,459,830 to remove the duplication of costs. Staff will report back if there are any changes that require Board action.

SGR and New Capital will be funded with \$70,373,350 in new Measure R 3% funds which are designated for commuter rail capital programs. This is a programming action where capital expenditures will occur over multiple years and the Cost Center Manager will be responsible for annual budget funding allocations.

Recommendation B will provide SCRRA with \$2,920,232 to fund maintenance of Metro-owned ROW

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beyond 20 feet from center track in new Proposition C 40% Funds, which are eligible for Metro property maintenance. Metro's FY25 Budget will be amended in accordance with Recommendation B.

Recommendation C will be funded using up to \$500,000 of FY23 surplus SCRRA-dedicated Proposition C 10% funds.

Recommendation D has no financial impact.

Recommendation E has no financial impact.

Recommendation F will be funded with \$29,290,000 in new Measure R 3% funds which are designated for commuter rail capital programs. Programming authority for this recommendation was approved by the Board at its June 2023 meeting.

### **EQUITY PLATFORM**

The recommendations support SCRRA's Metrolink commuter rail operations, providing residents, workers, students, and families with a regional public transportation option to access jobs, resources, and services across the Greater Los Angeles region. Metrolink enables residents who may not be able to afford to live in high-cost areas to access quality jobs and services in those areas while living in more affordable neighborhoods. These neighborhoods include Equity Focus Communities, such as Palmdale/Lancaster, the East San Fernando Valley, El Monte, Pomona, and Gateway Cities.

Metro funds their share of Metrolink's overall operations as a JPA member agency. Metrolink establishes their own equity-based programs separate from Metro. Metrolink's efforts to increase transit equity make mobility more accessible for low-income riders across the region. Metrolink's Mobility-4-All program offers a 50% discount to riders with a California EBT card, while Metrolink's Student Adventure Pass pilot makes it possible for anyone with a student ID to use our system for free. Three out of four students are people of color. Metrolink also offers everyday discounts for children, seniors, active military members, and riders with disabilities. Fares on several Metrolink lines with a large proportion of low-income riders are further reduced by 25%. Each of these programs improves transit equity. Adjusted for inflation, Metrolink fares today are the lowest they have been in Metrolink's more than 30-year history.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The recommendations support the Metro Vision 2028 Strategic Plan goals 1, 4 and 5 as follows:

- Goal 1.2: Invest in a world-class transit system that is reliable, convenient, and attractive to more users for more trips;
- Goal 4.1 Work with partners to build trust and make decisions that support the goals of the Vision 2028 Plan;
- Goal 5.2 Exercise good public policy judgment and sound fiscal stewardship.

### **ALTERNATIVES CONSIDERED**

The Metro Board could authorize a different budget amount than what SCRRA has transmitted for FY 2024-25. However, staff does not recommend a different budget amount since Metro has worked closely with SCRRA and the member agencies to create a balanced FY 2024-25 budget request that supports Metrolink's post-COVID service plans and ensures sufficient SGR to meet safety, service, and reliability needs.

For Recommendation B, the Metro Board could choose to bring the ROW maintenance function in-house. However, staff does not recommend this since a cost analysis determined that it is considerably more cost-effective for Metrolink to continue providing the ROW maintenance on Metro's behalf.

Metrolink has suggested that Metro provide 5307, 5337, and SB 125 funds to cover the funding gap. While other member agencies with less-expansive transit systems may take this approach, Metro proactively crafted its sales tax measures to include dedicated Metrolink funding carveouts that now exceed the amounts generated by these other funding sources and preserve these funds for its operations. Any use of these funds for Metrolink would reduce funding available for operations.

### **NEXT STEPS**

The SCRRA Board is scheduled to adopt their FY 2024-25 budget on June 28, 2024. Upon SCRRA's Board adopting their budget, Metro will execute the corresponding funding agreement. Metro staff will monitor the implementation of SCRRA's budget, and the SBL fare reduction results, and report back to the Board with any issues requiring action. Metro is firmly supportive and committed to being a strategic partner with SCRRA.

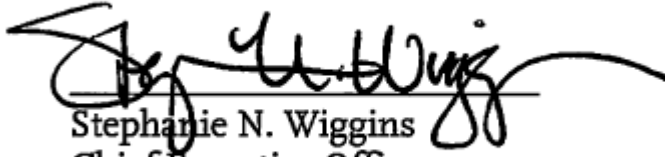
### **ATTACHMENTS**

Attachment A - SCRRA FY 25 Budget Transmittal

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