



Orange County Transportation Authority

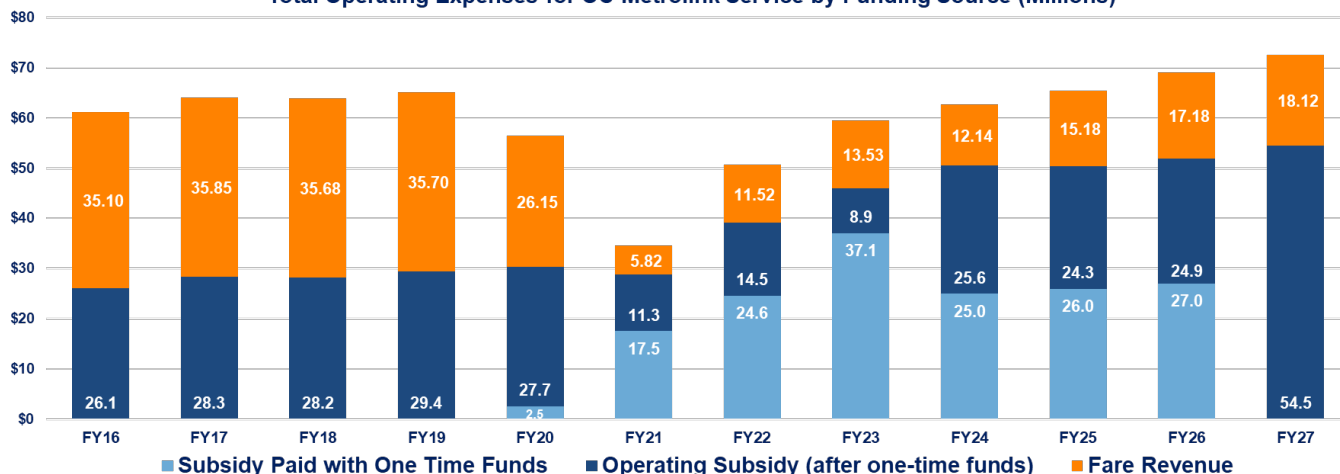
Fiscal Year 2026-27 Budget Workshop Questions & Answers

1. Question: Why is \$46 million being used as the benchmark for the Orange County Transportation Authority’s (OCTA) contribution to Metrolink in the proposed budget?

Answer: The \$46 million budget target for OCTA’s contribution to Metrolink’s operating subsidy is based on projected Measure M2 (M2) sales tax revenue available to support Metrolink operations for fiscal year (FY) 2026-27. This target is a result of OCTA’s effort to ensure Metrolink service is sustainable through the balance of the M2 Program.

The target is necessary due to the increasing cost of Metrolink’s operating subsidy. The increase is the result of ridership remaining far below pre-pandemic levels leading to significant reductions in fare revenue, and OCTA exhausting one-time revenues used to backfill for the reduction in fare revenue (see chart below).

Total Operating Expenses for OC Metrolink Service by Funding Source (Millions)



Note – FY 25, FY 26, and FY 27 subsidy amounts are from the Metrolink budget. All others are actuals.

2. Question: The proposed Metrolink operating subsidy contribution of \$46 million is sustainable for OCTA; however, what level of service does that contribution provide?

Answer: OCTA has not been provided with a service plan from Metrolink based on the budget target of \$46 million. In addition, OCTA has not received a FY 2026-27 proposed budget submittal from Metrolink and has been informed that a budget submittal is not expected by the start of the new FY.

3. Question: Why is Metrolink’s proposed budget not available as of May 11, 2026, and not anticipated to be available by the start of the new FY?

Answer: It is OCTA staff’s understanding that Metrolink staff received information requiring them to reassess their proposed FY 2026-27 budget. This information includes receiving budget targets for their operating subsidy from OCTA and LA Metro, as well as an updated ridership forecast that



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was less optimistic than the forecast previously relied upon. This information led to a budget deficit for FY 2026-27, which requires Metrolink staff to reassess revenue and expenditure assumptions. Metrolink staff has indicated they need additional time to assess the impacts of this information and do not believe the analysis will be completed by the start of the new FY.

4. Question: What options does OCTA have to withdraw from the Southern California Regional Rail Authority Joint Powers Authority (JPA)?

Answer: There is a formal withdrawal process in the JPA agreement. Section 12.0 of the Southern California Regional Rail Authority JPA provides that a member agency can terminate its membership in the SCRRA JPAs by giving one year's written notice to the SCRRA JPAs concurrent with the beginning of the SCRRA JPA FY. The termination shall become effective at the end of such FY.

5. Question: Is OCTA required to provide M2 sales tax to Metrolink through the M2 Program?

Answer: Yes. The M2 Investment Plan specifically dedicates funding for Metrolink service. This revenue stream serves as the primary funding source for the Metrolink operating subsidy.

6. Question: What is the impact to Metrolink if OCTA contributes more than the \$46 million subsidy target?

Answer: Based on current revenue and expense assumptions for the Metrolink Program, utilizing more than \$46 million in M2 sales tax for FY 2026-27 would result in the Metrolink Program not being financially sustainable through the end of the M2 Program. See the attached chart which shows forecasted M2 sales tax revenue available to support the Metrolink Program through FY 2039-40.

7. Question: How well-funded is OCTA's liability reserve?

Answer: OCTA's liability reserve is fully funded based on the Board of Directors-approved Reserve Policy.

8. Question: How did OCTA determine the administrative merit pool, bonus pool, and defined contribution rates for the proposed FY?

Answer: OCTA conducts annual benchmarking to establish proposed rates for administrative merit increases and bonus pools. As part of this year's process, OCTA staff developed a new proposed rate structure for deferred compensation. The new rate structure is based on staff's assessment of a competitive rate structure that supports the goal of improved employee recruitment and retention. The primary issue OCTA staff is trying to address with the new rate structure is that approximately 60 percent of OCTA employees fall under the Public Employees' Pension Reform Act (PEPRA), which took effect in 2013. Since its implementation, OCTA has



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shifted responsibility for the employee share of Orange County Employees Retirement System (OCERS) contributions from the employer to employees. In addition, PEPRA employees also receive reduced pension benefits. These combined changes have made it increasingly difficult to recruit and retain employees.

It is also important to contextualize these impacts financially. The shift in OCERS contribution responsibility was originally projected to generate \$85 million in savings over a 20-year period. As of the end of FY 2024 - 25 (year 12 of the plan), actual savings total \$48.8 million—approximately \$12 million above the forecast for that point in time.

9. Question: Does OCTA staff anticipate the proposed budget will be impacted by the financial implications of the state's current financial position?

Answer: The implications of the state's financial position could impact funding anticipated to be received in OCTA's proposed budget. OCTA staff is prepared to adjust, if needed, based on future information received from the State. Staff is prepared to adopt a budget based on the information available today, and if adjustments are required in the future staff would return to the Board for direction.

10. Question: How was the \$15.8 million Metrolink first quarter budget proposal calculated in comparison to the \$14.5 million OCTA budget target?

Answer: Since OCTA held its budget workshop at the May 11, 2026, Board meeting, the Metrolink Board approved the agency request a first quarter operating subsidy from each member agency while it continues efforts to develop a budget. Metrolink has proposed \$15.8 million, which is consistent with requests in the first quarter of the current FY budget. The OCTA budget target of \$14.5 million was calculated using the \$46 million operating subsidy target and subtracting insurance premiums of \$4 million, which Metrolink pays during the first quarter of each FY. The remaining total of \$42 million was divided by four, which would provide Metrolink with \$10.5 million per quarter except for the first quarter which would include insurance premiums. As a result, Metrolink would receive \$14.5 million for the first quarter and \$10.5 million for the remaining quarters.

11. Question: Why does the proposed budget show an increase in salary for 23 employees that would be below the minimum grade range?

Answer: The proposed budget includes an increase of 2.5 percent to salary grade ranges included in the Personnel and Salary Resolution. An increase to a salary grade does not automatically increase a salary for an employee unless the employee's salary falls below the new minimum of their salary grade. In the proposed budget, 23 employees' salaries would fall below their proposed salary grade for a total salary impact of \$36,941.



12. Question: Has Metrolink ridership recovered to pre-pandemic levels?

Answer: No. Metrolink systemwide ridership remains at approximately 60 percent of pre-pandemic levels.

13. Question: If Metrolink ridership doesn't recover to pre-pandemic levels in the future, how would that impact future funding and service levels?

Answer: Metrolink service is funded by a combination of farebox revenues from its customers and subsidies provided by the member agencies. As farebox revenues decrease, the burden to member agencies via the operating subsidy increases. Given Metrolink ridership has not returned to pre-pandemic ridership levels, it is important that OCTA balance future revenue forecasts with ridership estimates and service levels. The proposed budget target is one step in this direction with the goal of ensuring sufficient M2 revenue to meet future service levels given reduced ridership being forecasted into the future. As ridership, cost, and available M2 revenue change over time, OCTA will need to evaluate and adapt to those changes to ensure it can financially sustain service levels through the sunset of M2.

14. Question: Are the proposed merit and bonus pools for administrative employees base-building?

Answer: The proposed merit pool of four percent for administrative employees is base building and is the only base building opportunity for administrative employees given they do not receive cost-of-living adjustments, step increases, or automatic increases of any kind. The proposed bonus pool of four percent for administrative employees is not base building.

15. Question: Is the Additional Retiree Benefit Account (ARBA) plan a retention tool for OCTA administrative employees?

Answer: Yes, the ARBA plan is an employee retention tool. There is no change to the Board-approved ARBA plan in the proposed budget. The Board-approved plan increases the annual ARBA contribution for eligible employees by two percent. The monetary benefit is capped by the Board-approved plan and is calculated based on years of service. The plan also requires the employee to retire directly from OCTA to receive the benefit which ties into the goal of retention.

16. Question: Is OCTA meeting the promises made to the voters of Orange County regarding the projects and services being delivered to the residents of Orange County?

Answer: Yes, OCTA continues to meet the promises made to the voters of Orange County regarding the projects and services being delivered to the residents of Orange County. The combination of the annual OCTA budget, Next 10 Plan, and Comprehensive Business Plan's 20-year forecast show that OCTA is on track to meet the promises made to the voters.



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17. Question: What is the impact to freeway traffic in Orange County based on changes to Metrolink service and ridership levels?

Answer: Prior to the Coronavirus (COVID-19) pandemic, Metrolink was carrying approximately 42,000 riders per day system wide. This level of ridership represented a benefit of approximately one lane of traffic reduction during peak hours on the Interstate 5 (I-5) freeway. Current Metrolink ridership is approximately 60 percent of pre-COVID-19 levels, so the impact of Metrolink ridership now is approximately 60 percent of one lane of traffic reduction during peak hours on I-5.

18. Question: Where did OCTA receive the \$54.5 million Metrolink budget request shown in the Preview to the Public Hearing on OCTA's FY 2026-27 Budget presentation?

Answer: The proposed FY 2026-27 Metrolink operating subsidy budget of \$54.5 million shown in the presentation is based on a multi-year projection provided by Metrolink in their FY 2025-26 budget. As of the Preview to the Public Hearing on OCTA's FY 2026-27 Budget presentation held on May 21, 2026, OCTA has not received a FY 2026-27 proposed budget from Metrolink.

19. Question: Does OCTA staff expect LA Metro to continue proposing reductions to their contribution to the Metrolink operating subsidy?

Answer: LA Metro has proposed a three percent reduction to their annual Metrolink contribution for FY 2026-27 and no increase in contributions through FY 2029-30.

20. Question: Does OCTA staff have an estimate for what the anticipated Metrolink subsidy per passenger will be going forward?

Answer: OCTA does not have an estimate at this point. OCTA staff will work with Metrolink staff to develop an estimate once Metrolink staff has developed a service plan and proposed budget.



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