



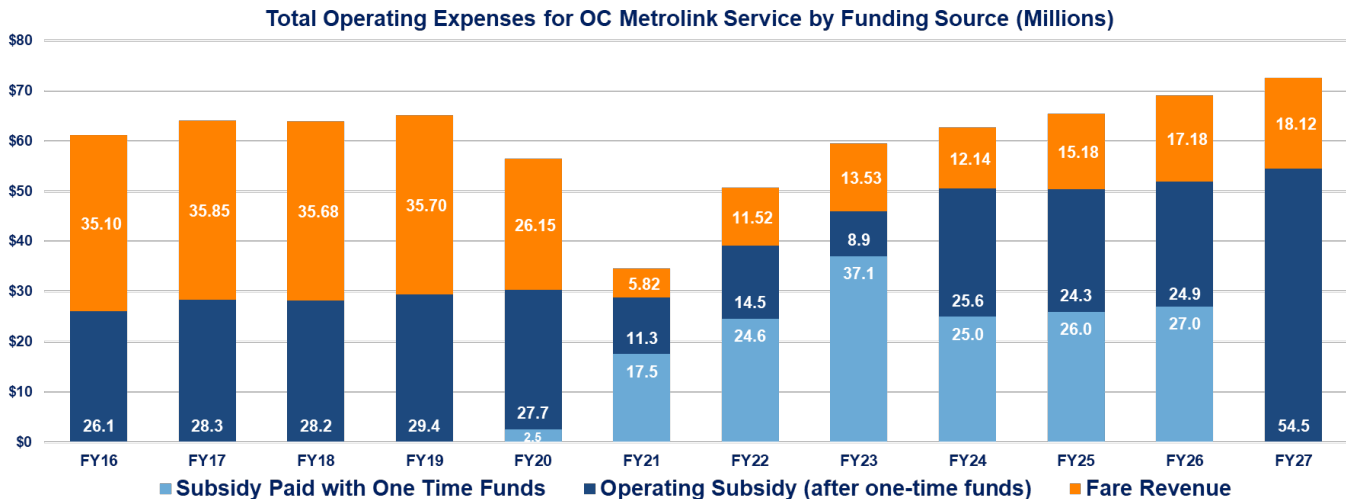
# Orange County Transportation Authority

## Fiscal Year 2026-27 Budget Workshop Questions & Answers

**1. Question: Why is \$46 million being used as the benchmark for 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).



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



# Orange County Transportation Authority

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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 JPA's by giving one (1) year's written notice to the SCRRA JPA's 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



# Orange County Transportation Authority

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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.

# Metrolink Operating Subsidy vs M2 Sales Tax

