Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
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Los Angeles, CA

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REVISED
FINANCE, BUDGET AND AUDIT COMMITTEE
SEPTEMBER 17, 2026

SUBJECT: METROLINK FISCAL YEAR 2026 CONTINUING RESOLUTION AND FISCAL YEAR 2027 PASSENGER RAIL SUPPORTIVE ACTIONS

ACTION: APPROVE RECOMMENDATION

RECOMMENDATION

CONSIDER:

A. AUTHORIZING the Chief Executive Officer or their designee to execute Metrolink's second continuing resolution to extend Fiscal Year 2026 (FY26) budget authorization through the second quarter of Fiscal Year 2027 (FY27) until January 1, 2027, and execute all necessary agreements between Metro and the Southern California Regional Rail Authority (SCRRA or Metrolink) based on the continuing resolution;

B. APPROVING additional funding in the amount of up to $365,202 for Metro's share of the San Bernardino Line 25% Fare Reduction Program using Proposition C 10%/Measure M 1% SCRRA dedicated funds and extending the program from June 30, 2025, to June 30, 2030;

C. APPROVING Burbank Airport-South Metrolink station safety improvements using Measure R 3% SCRRA dedicated funds in the amount up to $1.3 million;

D. APPROVING Pomona-Downtown Metrolink station Americans with Disabilities Act (ADA) improvements using Measure R 3% SCRRA dedicated funds in the amount up to $256,720;

E. EXTENDING the lapsing dates for funds previously allocated to SCRRA for 12 State of Good Repair and capital project Memoranda of Understanding (MOU); and

F. RECEIVING AND FILING an update on Metrolink Station Planning and Updates.

SANDOVAL AMENDMENT: Direct the CEO to request Metrolink to conduct a full, transparent, and comprehensive audit of the following:

A. Train parts/locomotives and safety concerns at Metrolink;

B. A forensic audit to explain the March 2026 service reduction; and

C. A review of Alstom's performance in maintaining and operating Metrolink's locomotives, under both their current and prior contract.

ISSUE

The Southern California Regional Rail Authority (SCRRA) is a Joint Powers Authority (JPA) comprising Metro and four adjacent counties (Orange, Riverside, San Bernardino, and Ventura) as member agencies and operates the Metrolink commuter rail service. Metro provides the majority of the member-agency subsidy that SCRRA uses in its annual budget, which comprises Metrolink Operations, SGR, and New Capital projects. The JPA requires each member agency to approve their share of the SCRRA budget annually prior to SCRRA adopting its annual budget. Pursuant to the terms of the JPA, SCRRA is required to transmit the Metrolink budget to the member agencies by May 1st.

SCRRA has delayed the transmission of its FY27 budget to the JPA Member Agencies. At Metrolink's request, the Board approved <https://boardagendas.metro.net/board-report/2026-0209/> a three-month continuing resolution at its May 2026 Board meeting, extending budget authority through October 1, 2026, to allow additional time for budget development and service planning. As the FY27 budget development remains unresolved, SCRRA is now requesting a second three-month continuing resolution through December 31, 2026, to continue operations while finalizing the budget.

Independent of the FY27 budget development delays, several Metrolink-related items require Board consideration at this time, including providing additional funding to extend the San Bernardino Line 25% Fare Reduction Program through FY30 and programming funding for various Metro-obligated safety and ADA improvements at Metrolink stations. This report also provides an update on the progress made on several new Metrolink station projects.

BACKGROUND

SCRRA operates the Metrolink commuter rail system, providing service throughout Los Angeles County and the neighboring counties of Orange, Riverside, San Bernardino, Ventura, and northern San Diego. Metrolink also connects with the Los Angeles-San Diego-San Luis Obispo (LOSSAN) intercity rail corridor, operated by Amtrak, and will ultimately provide direct connections to the future statewide high-speed rail network being developed by the California High Speed Rail Authority, Brightline West, and High Desert Corridor JPA. Union Station serves as the key transfer hub among Metrolink, LOSSAN, and Metro Rail services. In addition to Union Station, the Metrolink system also connects directly to the Cal State LA (J Line) Station, the Chatsworth (G Line) Station, and the Pomona-North (A Line) Station, with future Metro Rail station connections planned in Van Nuys and Pacoima.

Metro funds the Metrolink operating budget through Proposition C 10% and Measure M 1%, both dedicated funding sources for commuter rail.

Metrolink's operating budgets post-COVID have increasingly relied on member agency operating subsidies to backfill reduced fare revenue generation needed to support the system's increased costs and expansion. In FY19, Metrolink's farebox recovery ratio was 34%; in FY25, it dropped to 14%. Fare revenues depend on ridership levels, and strong ridership depends on reliable service and on-time performance. Metrolink's ongoing mechanical failures and ineffective management and procurement of parts and materials have undermined efforts to increase ridership and revenue recovery post-pandemic. In March 2026, Metrolink took emergency action to reduce its FY26 service level by approximately 20% due to these mechanical failures. In May 2025, the SCRRA CEO announced that this temporary action would be made permanent. The chronic mechanical failures have persisted into the first quarter of FY27.

On July 18, 2026, SCRRA submitted its first FY27 written budget proposal to the member agencies, reflecting this continued reduced level of service, for review. The proposed budget did not meet the funding targets established by either Metro or OCTA. SCRRA's proposed $149.3 million subsidy request from Metro was $12.1 million more than Metro's stated subsidy target of $137.2 million.

DISCUSSION

RECOMMENDATION A

Second Continuing Resolution to Extend Budget Authorization

At the request of SCRRA, Metro staff recommend that the Board approve a second FY26 continuing resolution through January 1, 2027, to provide SCRRA with additional time to develop a revised FY27 budget and service plan that aligns with the protocol of consensus among all of the member agencies.

RECOMMENDATION B

San Bernardino Line 25% Discount Program Extension

In April 2018 <https://metro.legistar.com/ViewReport.ashx?M=R&N=TextL5&GID=557&ID=4831&GUID=LATEST&Title=Board+Report> and May 2019 <https://boardagendas.metro.net/board-report/2019-0228/>, the Board approved $4,190,969 to support the San Bernardino Line (SBL) 25% Fare Reduction 12-month pilot program, which was developed in collaboration with the San Bernardino County Transportation Authority (SBCTA). Upon reviewing and analyzing the program's performance, staff recommend extending the program through June 30, 2030, at which time the program is projected to reach its breakeven point.

To cover anticipated expenditures from July 1, 2025, through June 30, 2030, staff request approval for an additional $365,202. This would increase the total program costs from $4,690,969 to $5,056,171.

RECOMMENDATION C

Burbank Airport - South Metrolink Station Safety Improvements

The Metrolink Burbank Airport - South Station was transferred from the State of California to Metro several years ago and is now Metro-owned. Prior to the transfer, a maintenance agreement was in place with the state and LOSSAN. Following the ownership transfer, Mero assumed responsibility for station maintenance and identified several safety and capital improvements.

Given that the station serves multiple rail operators-including UPRR, LOSSAN, and Metrolink-and directly serves the Hollywood Burbank Airport, the city of Burbank has expressed interest in assuming maintenance responsibilities. This interest is contingent upon Metro completing specified safety and state-of-good-repair improvements, as the city is not willing to accept the station in its current condition.

Metrolink recently conducted a site inspection and developed a cost estimate to address the required safety improvements. Staff recommend approval of these improvements to enable Metro to initiate negotiations with the city of Burbank for a Construction and Maintenance (C&M) Agreement under which the city would assume ongoing maintenance responsibilities.

The estimated cost to bring the station into a state of good repair is $1.3 million, to be funded with Measure R 3% funds dedicated to commuter rail capital uses.

RECOMMENDATION D

Pomona-Downtown Metrolink Station ADA Improvements

The Pomona-Downtown Metrolink station serves the San Gabriel Valley's most populous city on the Metrolink Riverside Line that runs between downtown Riverside and Union Station. Metro is responsible for making passenger rail station-related improvements on the Metrolink Riverside Line in Los Angeles County, per Section 4c of the Riverside Operating Agreement (see Attachment A).

In February 2022, the city of Pomona secured a contractor to address the US Department of Justice (DOJ) findings of 96 ADA accessibility barriers at the station, four of which were to be funded by Metro. In an October 27, 2025, letter to Metro, the city requested that Metro reimburse the city up to $256,720 for the actual costs incurred to remedy the four findings.

Metro recommends programming $256,720 in Measure R 3% funds to reimburse the city of Pomona for the costs of these four ADA improvements.

RECOMMENDATION E

Extend Lapsing Dates for 12 SGR and Capital MOUs

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

Recommendation F will extend the following 12 projects (seven SCRRA SGR and five capital project

MOUs) that would otherwise lapse on or before June 30, 2026:

- Ticket Vending Machine Replacement Project extended from June 30, 2026, to June 30, 2028
- Fiscal Year 2017 SGR Program extended from June 30, 2026, to June 30, 2028
- Fiscal Year 2018 SGR Program extended from June 30, 2026, to June 30, 2029
- Fiscal Year 2019 SGR Program extended from June 30, 2026, to June 30, 2029
- Fiscal Year 2020 SGR Program extended from June 30, 2026, to June 30, 2028
- Fiscal Year 2021 SGR Program extended from June 30, 2026, to June 30, 2028
- Fiscal Year 2022 SGR Program extended from June 30, 2026, to June 30, 2029
- Fiscal Year 2023 SGR Program extended from June 30, 2026, to June 30, 2029
- Rotem Rail Cars Project extended from June 30, 2026, to June 30, 2029
- Ramona Grade Separation Project from June 30, 2026, to June 30, 2027
- Link Union Station Project from June 30, 2026, to June 30, 2028
- Brighton to Roxford Double Track Project from June 30, 2026, to June 30, 2028

Due to unforeseen delays from material suppliers and project work, time extensions are being requested. SCRRA indicated that their work is in progress, that many projects are close to completion, and that they will be completed and invoiced by the requested extension date.

RECOMMENDATION F

Metrolink Station Planning and Activities

The Countywide Planning and Development Passenger Rail team continues to lead a range of Metrolink station planning, environmental clearance, and design efforts. These proposed stations are expected to deliver significant benefits, including improved regional connectivity, expanded access to reliable transit options, and enhanced first/last-mile connections for surrounding communities. In addition, the stations can support transit-oriented development, stimulate local economic activity, and increase ridership by providing convenient access to key employment, education, and activity centers. Collectively, these investments advance a more integrated, accessible, and sustainable regional transportation network.

Pico Rivera Metrolink Station - Preliminary Engineering

In February 2026, Metro completed a technical feasibility study which evaluated alternative sites for relocating the Commerce Metrolink station. An optimal location was identified in the City of Pico Rivera which offers strong regional and multi-modal connectivity and ridership potential, improved operational and freight efficiencies, and advances state, regional and local land use, housing, climate, economic, and mobility objectives. As part of the prior technical feasibility study, there was consensus from the three key cities at the staff level on the benefits of relocating the Commerce Station to Pico Rivera.

Staff have worked with key partners, such as the City of Pico Rivera, and the California High Speed Rail Authority (CHSRA) on opportunities to advance the next phase of the project. Preliminary engineering is estimated to cost $4-6 million, depending upon the level of environmental review needed. Staff are in discussions with the city on partnerships to advance the preliminary engineering. Staff is also in discussions with the CHSRA regarding a supplemental LA - Anaheim environment document or re-examination of relocating the Commerce Station to Pico Rivera. Staff are also in discussions with the City of Pico Rivera as to which agency is best suited to advance the preliminary engineering based upon available staffing and resources. Staff will return to the Board with more information and an update on efforts to advance preliminary engineering for the Pico Rivera Metrolink Station.

Pacoima Metrolink Infill Station and Mobility Hub - Preliminary Engineering

In July 2026 <https://boardagendas.metro.net/board-report/2026-0103/>, the Board programmed $6.9 million to advance the conceptual planning, environmental clearance, preliminary engineering, and community outreach for the Pacoima Metrolink Station and Mobility Hub.

To advance Board direction, staff executed a consultant task order to support the project in August 2026, initiated conceptual planning for the Metrolink station, and held a project kick-off meeting in September 2026. Staff are currently reviewing various high-level station layout concepts and coordinating with the nearby Brighton to Roxford double-track project team to identify and gain consensus on a preferred station concept.

Los Angeles General Medical Center - Preliminary Engineering

In May 2022, Metro completed the Los Angeles General Medical Center (LAGMC) Metrolink Infill Station Feasibility Study on behalf of Los Angeles County, which found that an infill station would provide increased multimodal transportation options and mobility benefits for Medical Center patients, employees, and residents of the surrounding community. The county and the city of Los Angeles agreed to support the project by reallocating $2,696,000 in State Route 710 North Mobility Improvements Projects funding to advance the LAGMC project to the next phase-preliminary engineering.

Preliminary engineering commenced in November 2024. Successful community meetings were held in February 2026, with over 75 community members participating in person and virtually. The 30% design review, geotechnical field work, and additional NEPA environmental work were completed in August 2026. This phase of the project is in the final close-out stage, with the construction cost estimate at 30% design between $100-150 million.

DETERMINATION OF SAFETY IMPACT

Approval of these recommendations will help the Metrolink system meet ADA requirements and improve safety for Metrolink passengers and the local communities where Metrolink operates. By approving this item, Metro will fund safety-related improvements to the Metrolink system to support safer travel for LA County residents and visitors, particularly those who need ADA access.

FINANCIAL IMPACT

Recommendation A extends the prior Board-approved FY26 Metrolink continuing resolution funding level for an additional three months. As this funding level may be higher than the expressed funding level the Board approved in the Metro FY27 budget, staff will reconcile any discrepancies for the remainder of the fiscal year when it brings the Metrolink FY27 budget to the Board for consideration. Therefore, no long-term financial impact is anticipated at this time.

Recommendation B will be funded with Proposition C 10% and Measure M 1% funds dedicated to Metrolink operations. The total cost for this program is $365,202.

Recommendations C and D will be funded with Measure R 3% funds dedicated to Metrolink capital and state of good repair. The total cost for these programs is $1,556,720.

Recommendations E and F have no financial impact.

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 there 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 its share of Metrolink's overall operations as a JPA member agency. Metrolink establishes its own equity-based programs separate from Metro.

To ensure equitable access for all disabled passengers, Metro is remedying accessibility barriers at the downtown Pomona Metrolink Station to fully meet federal standards and deliver a seamless transit experience.

VEHICLE MILES TRAVELED OUTCOME

VMT and VMT per capita in Los Angeles County are lower than national averages, the lowest in the SCAG region, and on the lower end of VMT per capita statewide, with these declining VMT trends due in part to Metro's significant investment in rail and bus transit.* Metro's Board-adopted VMT reduction targets align with California's statewide climate goals, including achieving carbon neutrality by 2045. To ensure continued progress, all Board items are assessed for their potential impact on VMT.

As part of these ongoing efforts, this item is expected to contribute to further reductions in VMT. This item supports Metro's systemwide strategy to reduce VMT by investing in Metrolink operations that will improve long-distance rail transportation and further encourage transit ridership, ridesharing, and active transportation. Metro's Board-adopted VMT reduction targets were designed to build on the success of existing investments, and this item aligns with those objectives.

*Based on population estimates from the United States Census and VMT estimates from Caltrans' Highway Performance Monitoring System (HPMS) data between 2001-2019.

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 may elect to authorize an alternative course of action or deny the requested continuing resolution for Metrolink operations at the FY26 funding level. However, staff do not recommend this approach, as Metro has worked in partnership with SCRRA and the member agencies to ensure the continuation of Metrolink's current operations and uninterrupted service to passengers while the FY27 budget is being finalized.

The Board may also elect not to provide the funding needed to extend the San Bernardino Line 25% Discount Program through the end of FY30. The alternative would be to end the program, which would then result in San Bernardino Line riders losing access to the 25% fare reduction policy, increasing costs by 33.3% for riders during a time when economic pressures, such as high gas prices, impose additional costs to access employment, education, healthcare, and other quality of life needs. The Board could instead decide to invest the $365,202 to reduce the funding gap Metro needs to close to meet its FY27 operating subsidy target. Staff do not recommend these alternatives, as the funding makes a greater difference in attracting and retaining ridership for Metrolink at a time when growing ridership and revenue levels long-term is the most important strategy to mitigate the lack of additional operating subsidy available for Metrolink in FY27.

NEXT STEPS

Metro staff will continue to meet regularly with SCRRA executive staff and actively support the development of a revised FY27 budget proposal that will meet Metro’s FY27 operating subsidy target, gain consensus with the other member agencies, and be acceptable to bring to the Board for consideration. Following SCRRA Board action to transmit a final proposed FY27 budget to its member agencies for approval, staff will return to the Board with a recommendation for consideration and approval of Metro’s subsidy allocation.

Upon approval of this Board item, Metro will provide funding to Metrolink to complete the Burbank-South station improvements, continue the San Bernardino Line 25% fare discount program, and extend applicable MOUs to allow state of good repair and capital projects to continue through completion.

Staff will provide updates on the Pico Rivera, Pacoima and LAGMC Metrolink Station projects as needed with standalone Board items if applicable.

ATTACHMENT

Attachment A - Riverside Operating Agreement

Prepared by: Yvette Ford, Senior Manager, Passenger Rail Planning, (213) 418-3176
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Stephanie Wiggins
Chief Executive Officer

RIVERSIDE OPERATING AGREEMENT

THIS RIVERSIDE OPERATING AGREEMENT (this "Agreement") dated as of December 3, 1991, is entered into by Union Pacific Railroad Company, a Utah corporation ("UP"), and the Los Angeles County Transportation Commission ("LACTC") with reference to the following facts:

A. UP owns the railroad right-of-way from Riverside to Los Angeles more particularly described in Exhibit A attached hereto.

B. LACTC desires to acquire from UP, and UP desires to grant to LACTC, the right to operate passenger train service on UP's rail tracks running along such right-of-way, upon the terms and conditions contained in this Agreement.

C. Concurrently herewith, UP and LACTC are also entering into the Riverside Lease Agreement and the Hobart Operating Agreement. This Agreement and the Riverside Lease Agreement shall be construed together as provided herein and therein and are generally intended to cover LACTC's passenger service from Los Angeles to Riverside. The Hobart Operating Agreement is intended to cover LACTC's passenger service over the portion of UP's property as described therein and is not intended to include LACTC's passenger service from Los Angeles to Riverside.

NOW, THEREFORE, the parties hereto agree as follows:

1. Definitions. The following capitalized terms are used in this Agreement with the following meanings:

"AAR" shall mean the Association of American Railroads.

"Costs" shall have the meaning set forth in Section 6(f) of this Agreement.

"CPUC" shall mean the California Public Utilities Commission.

"Fee" shall have the meaning set forth in Section 6(b) of this Agreement.

"FRA" shall mean the Federal Railroad Administration.

"Full Operations Date" shall be the later of the date of completion of the construction described in the Riverside Lease Agreement and March 31, 1993.

"Hobart Operating Agreement" shall mean that certain Hobart Operating Agreement of even date herewith between UP and LACTC regarding operations over UP's right of way between Hobart Junction and Ninth Street Junction, as more fully set forth therein.

"Non-Peak Commuter Periods" shall mean time periods other than Peak Commuter Periods.

"Operating Land" shall mean that portion of the operating land owned or controlled by UP between Riverside, California and Ninth Street Junction in Los Angeles, California, as more particularly identified in Exhibit A attached hereto.

"Operator" shall mean an operator designated by LACTC to operate its commuter trains and to exercise the respective rights or obligations of LACTC under this Agreement in connection with such operation, which designation shall be subject to the approval of UP, which approval shall not be unreasonably withheld. Any Operator for LACTC (i) shall be financially and operationally capable of performing its obligations under this Agreement, (ii) shall be qualified under the General Code of Operating Rules, and (iii) shall not be a Class 1 freight railroad or an affiliate of a Class 1 freight railroad (provided, however, that a potential operator for LACTC shall not be disqualified under this clause (iii) solely by reason of its being the operator for a Class 1 freight railroad or a joint venturer or partner of a Class 1 freight railroad). Any Operator, acting for LACTC under this Agreement, shall do so pursuant to a written agreement between such Operator and LACTC. Any Operator shall be obligated to comply with all of the provisions of this Agreement relating to use of the Operating Land or the Tracks.

"Peak Commuter Periods" shall mean the hours of 5:30 a.m. to 8:30 a.m. for westbound LACTC trains and the hours of 4:15 p.m. to 7:00 p.m. for eastbound LACTC trains, Monday through Friday, or such other time period(s) as the parties may agree.

"Per Train Mile Rate" shall have the meaning set forth in Section 6(b) of this Agreement.

"Recalculation Date" shall have the meaning set forth in Section 6(f) of this Agreement.

"Riverside Lease Agreement" shall mean that certain Riverside Nonexclusive Lease of Railroad Facilities of even date herewith between UP and LACTC.

"Service" shall consist of Trains, whether occupied or empty, which are used to provide commuter rail service pursuant to the authority granted by this Agreement. "Service," as more fully defined herein, shall consist of LACTC's right to operate, along and over the Tracks and Operating Land:

(1) not more than five (5) westbound Trains and not more than five (5) eastbound Trains, Monday through Friday, with such five (5) westbound Trains including not more than one (1) Train commencing its movement during Non-Peak Commuter Periods and with such five (5) eastbound Trains including not more than one (1) Train commencing its movement during Non-Peak Commuter Periods;

(2) non-revenue generating Trains, including "deadhead" movements, which are reasonably necessary to enable LACTC to provide the Service described in clause (i) immediately above; and

(3) such additional Trains as LACTC and UP may agree upon from time to time.

Trains commencing their movements during the Peak Commuter Periods shall be considered trains moving during the Peak Commuter Periods.

"Service Commencement Date" shall mean the date which is the earlier to occur of (i) the date on which LACTC commences regularly scheduled commuter service over the Tracks or (ii) the date which is the later of December 31, 1993 or the completion of the construction described in the Riverside Lease Agreement. The parties agree to confirm such date in writing.

"Tracks" shall mean all the main line tracks, structures (including, without limitation, bridges) passing tracks, rights-of-way, signals and signal systems, switches, crossovers, interlocking devices and plants, terminal facilities, track improvements and other rail facilities now located or hereafter constructed or installed on the Operating Land.

"Train" shall consist of one or two locomotive units and commuter or passenger cars not to exceed eight in number; provided, however, that during any morning or evening Peak Commuter Period, LACTC shall be permitted to operate up to two Trains consisting of one locomotive and not more than ten commuter or passenger cars; provided further, however, that, for Per Train Mile Rate purposes, nonpassenger trains that are delivering construction materials for the benefit of LACTC and "hi-rail" vehicles shall not be included.

"Train Mile" shall mean the movement of a Train, whether or not revenue-generating, inclusive of all engines and passenger cars, over a one-mile distance on the Tracks.

2. Grant of Trackage Rights. (a) Subject to the terms and conditions set forth herein, UP hereby grants to LACTC trackage rights on and over and continued access to and use of the Operating Land and the Tracks to provide Service. LACTC and its Operator, their agents, servants, employees, consultants and contractors, shall also have the right to enter upon the Operating Land and Tracks and operate such equipment "hi-rail" vehicles, rerouting equipment, and other machinery and equipment reasonably necessary to provide the Service.

(b) LACTC and its Operator shall also have the right to enter upon any portion of the Operating Land, as may reasonably be required, to exercise all of its rights and perform all of its duties set forth in this Agreement; provided, however, that with respect to any entry other than Trains providing Service or any "hi-rail" vehicles, LACTC and its Operator shall give reasonable notice of at least forty-eight 48 hours to UP if such entry is in the ordinary course of its operations, and such other notice as reasonably possible in the case of emergency. In no event shall LACTC or its Operator, or any of their agents, servants, employees, consultants or contractors, enter upon the Operating Land without having first received permission from UP's dispatching center in accordance with then existing procedures of UP.

3. Dispatching and Control. (a) The management, operation and maintenance of the Operating Land and the Tracks

shall, at all times, be under the exclusive direction and control of UP, and the movement of any and all Trains, cars, locomotives and other equipment over and along the Tracks shall, at all times, be subject to the exclusive direction and control of UP's superintendent, train dispatchers and other authorized agents and in accordance with such reasonable operating rules as UP shall, from time to time, institute in accordance with the terms and conditions of this Agreement. UP shall schedule and dispatch trains along the Tracks in a safe, reliable and on-time manner, in a manner that minimizes disruption of LACTC's passenger service as described in this Agreement and in a manner that complies with all applicable laws, regulations or rules, state or federal. UP shall provide to LACTC such reports and information as may be reasonably necessary for LACTC to conduct its operations and provide the Service.

(b) LACTC shall determine the schedules for its Trains and shall provide such schedules, and any changes thereto, in a timely manner to UP. Schedules and changes shall be subject to UP's approval, which shall not be unreasonably withheld.

(c) All operating, dispatching and maintenance decisions by UP affecting the movement of trains, cars, and engines on the Tracks shall give priority to LACTC's passenger Trains generating revenue and commencing their movements during Peak Commuter Periods, and such priority shall continue through the end of the scheduled trip for any such Train. LACTC may schedule one, but only one, Train in the morning Non-Peak

Commuter Period and one in the evening Non-Peak Commuter Period. UP shall schedule its trains so as to minimize interference with LACTC's scheduled Service but UP shall be allowed to schedule its trains in a manner that will enable UP to provide competitive freight service, including time-sensitive services to existing and future customers, during Non-Peak Commuter Periods. UP agrees that non-revenue generating Trains (including "deadhead" movements) commencing their movements during Peak Commuter Periods and all Non-Peak Commuter Period Trains shall be accorded the same priority as UP currently gives to its own intermodal and double-stack trains.

(d) UP shall not adopt, except by mutual agreement with LACTC (which shall not be unreasonably withheld), a new communications systems or signal system for use on the Operating Land or the Tracks which would adversely affect LACTC's commuter operations, unless required by any statute, law, ordinance, or governmental regulation.

(e) UP shall provide employees of LACTC or its Operator with reasonable access to UP's dispatch facilities to allow monitoring of the dispatching.

4. <u>Train Operations</u>. (a) UP and LACTC (directly or through its Operator) shall each be responsible for providing and operating its own trains on the Tracks and each shall operate its trains in a safe manner. UP and LACTC shall each maintain an

adequate and experienced staff sufficient to operate its respective trains on the Tracks.

(b) UP shall provide to the staff of LACTC and LACTC's Operator the training as is necessary regarding UP's rules and procedures for operations on the Tracks and shall qualify the staff of LACTC and LACTC's Operator under the General Code of Operating Rules, at LACTC's expense; provided, however, that once the staff of LACTC and LACTC's Operator are so trained and qualified, and, in the reasonable opinion of UP, have become sufficiently experienced with respect to operations on the Tracks, such staff of LACTC or LACTC's Operator may conduct such training and qualifying for new members of its staff.

(c) LACTC shall be responsible for providing, operating and maintaining station, platform and ticketing facilities and parking to serve LACTC's passengers and any and all security for such station, platform and ticketing facilities and parking. No passenger stations or ticketing facilities or parking therefor shall be located on the Operating Land without the prior mutual agreement of UP and LACTC. Any platforms for passenger loading and unloading shall be at such locations as proposed by LACTC and approved by UP, which approval shall not be unreasonably withheld and shall be subject to a lease agreement by UP as lessor and LACTC as tenant, substantially in the form of Exhibit C attached hereto. It is understood that subject to the foregoing sentence, LACTC shall be entitled to such platforms at five (5) locations along the tracks (not including the platform to be located in Riverside) or such larger number of platforms as UP may approve, which approval shall not be unreasonably withheld. Any such stations, platforms and ticketing facilities and parking and any other construction performed under this Agreement shall comply with all standards of the CPUC. UP shall not require that any such stations, platforms and ticketing facilities and parking or any such other construction comply with standards more restrictive than applicable CPUC standards.

(d) UP and LACTC and its Operator shall comply (i) with all applicable laws, regulations or rules, state or federal, covering the operations on, and the inspection, testing or safety of, the Operating Land, the Tracks, trains and other equipment thereon, and any personnel employed in the maintenance and operation thereof, (ii) with the General Code of Operating Rules and any successor publication, and (iii) with all of UP's timetables, general orders and bulletins and other standards relating to such operation, maintenance, condition, inspection, testing or safety, which timetables, general orders, bulletins and other standards shall be provided in writing by UP to LACTC.

(e) Neither LACTC nor UP shall have any responsibility for inspecting, maintaining, servicing or repairing any locomotives, hi-rail vehicles, passenger cars, freight cars or other equipment used by the other party on the Operating Land or the Tracks. If, by any reason of mechanical failure or for any other cause, the trains or other hi-rail vehicles of UP or LACTC or its Operator become stalled or disabled on the Tracks and are unable to proceed, or fail to maintain the speed required of trains to meet normal schedules or if in emergencies crippled or otherwise defective trains or items of equipment are on or otherwise blocking or impeding operations on the Tracks, then the party whose trains or items of equipment are involved in the incident shall be responsible for furnishing motive power or such other assistance as may be necessary to haul, help or push such equipment or trains, or remove the disabled equipment. By mutual agreement of the parties or upon receipt of reasonable notice from the other party that the response of the party whose trains or items of equipment are involved in the incident has not been adequate relative to the scheduled uses of the Tracks, such other party may, but shall not be required to, render such assistance as may reasonably be required in light of such scheduled uses, and the party whose trains or items of equipment are involved in the incident shall reimburse the other party, within thirty (30) days after receipt of the bill therefor, for the cost and expense of rendering any such assistance.

(f) UP shall, at least three (3) days in advance or as soon as otherwise practicable, notify LACTC of any investigation or hearing concerning the violation of any operating rule, safety rule, regulation or order or instructions of UP by any of the employees of LACTC or its Operator. Such investigation or hearing may be attended by any official of LACTC or its Operator, and any such investigation shall be conducted in accordance with any applicable collective bargaining agreement.

(g) Each of UP and LACTC shall obtain and maintain all regulatory approvals as may be required for the conduct of their respective operations on the Operating Land and the Tracks.

(h) UP and LACTC shall have exclusive responsibility for the provision of claims handling service in connection with any aspect of their respective operations on the Operating Land and the Tracks, and in no event shall either assert any right to require the other or any of the other's affiliates to provide, or bear any of the costs and expenses arising from, such operations.

(i) UP and LACTC shall have exclusive responsibility for the provision of the services of railroad police or law enforcement personnel in connection with their respective operations on the Operating Land or the Tracks, and in no event shall either assert any right to require the other or any of the other's affiliates to provide, or bear any of the costs and expenses arising from such services.

5. Maintenance, Repairs and Capital Expenditures.

(a) UP shall be solely responsible for performing all construction, maintenance and repairs on the Operating Land and the Tracks, including, without limitation, the repair of trackage, structures and signals, installation of ties and ballast, surfacing work, and replacement in-kind of existing facilities such as trackage, structures and signals. UP shall use reasonable and customary care, skill and diligence in the performance of construction, maintenance and repairs on the Operating Land and the Tracks. All construction, maintenance and repairs shall be done in a manner that minimizes disruptions to operations of LACTC and in a manner that complies with all applicable laws, regulations or rules, state or federal.

If UP desires to conduct construction, maintenance or repair activities on a portion of the Tracks over which LACTC has regularly scheduled commuter Service such that there is less than eight hours between the scheduled moving of LACTC's last scheduled westbound Train in the morning Peak Commuter Period and LACTC's first scheduled eastbound Train in the afternoon Peak Commuter Period, then UP may request that LACTC reschedule one or more of its trains to allow UP to utilize, in an efficient manner, an eight-hour crew for such construction, maintenance or repair activities. Any such request shall be in writing and shall be delivered to LACTC no less than one week in advance. LACTC shall have no obligation so to reschedule its trains, but LACTC shall cooperate with UP to coordinate such construction, maintenance or repair activities and shall make reasonable efforts to accommodate any such request.

(b) Not less than once every six (6) months, UP shall provide to LACTC a written estimated schedule of all scheduled construction, maintenance and repairs anticipated by UP for the forthcoming twelve (12) months. To the extent not disclosed in such schedule, then whenever practicable, UP shall provide to LACTC at least one (1) week advance written notice of any construction, maintenance or repairs to the extent that the same may interfere with LACTC's operations. When one (1) week advance written notice is not practicable (for example, in emergencies), UP shall nonetheless provide to LACTC, as soon as practicable, written notice of any construction, maintenance or repairs.

(c) UP shall maintain an adequate and experienced staff sufficient to maintain and repair the Operating Land and the Tracks.

(d) UP shall maintain (which maintenance shall include capital expenditures as appropriate) all of the main line Tracks at no less than FRA Class 4 standards, except as outlined in UP's timetable in effect on the date hereof. With respect to those portions of the main line Tracks which currently would not allow Lessee's Trains to travel thereon at speeds of up to 70 miles per hour (according to FRA standards), UP shall investigate the cost and feasibility of improving such portions to allow Lessee's Trains to travel at speeds of up to 70 miles per hour (according to FRA standards) and to the extent that such improvements are feasible and can be made at a reasonable cost, UP shall, at its cost and expense make such improvements. Additionally, UP and LACTC shall jointly investigate the cost and feasibility of improving the existing Tracks, or portions thereof as the parties may agree, to allow trains to travel at speeds of

79 miles per hour (according to FRA standards); provided, however, that LACTC shall bear the cost and expense of any improvements necessary to allow trains to travel at speeds in excess of 70 miles per hour.

(e) Without the prior written consent of LACTC, UP shall not materially re-locate the Tracks or otherwise modify or remove any of the Tracks in a manner that would have a material effect on the operations of LACTC on the Tracks, including the scheduling or timeliness of LACTC Trains on the Tracks; provided that this Section 5(e) shall not prohibit UP from maintaining and repairing the Tracks in accordance with its obligations under this Agreement.

(f) The parties understand that LACTC intends to construct certain passenger facilities in connection with the passenger service operated under this Agreement and that such passenger facilities will comply with all standards of the CPUC. To the extent such standards apply to any construction under this Agreement, such construction shall comply with such standards. Additionally, UP shall not require that any such construction comply with standards more restrictive than applicable CPUC standards, without the consent of LACTC.

(g) After the date hereof, before UP hires or contracts with any outside firm to do (i) any designing or engineering of any improvements to be made on the Property relating to the Tracks or (ii) any construction thereof, UP shall first consult with LACTC regarding such outside firm and any such outside firm shall be subject to the approval of LACTC, which shall not be unreasonably withheld.

6. Consideration. (a) UP is granting to LACTC the trackage rights set forth in this Agreement in partial consideration of the "Purchase Price" being paid by LACTC under that certain Purchase and Sale Agreement dated as of November 1, 1991. As further consideration for UP's agreement to perform as described in this agreement, LACTC shall make the payments to UP described in Section 6(b) of this Agreement.

(b) LACTC shall pay to UP a fee (the "Fee") equal to $5.75 (the "Per Train Mile Rate") for each Train Mile moved by LACTC over the Tracks pursuant to this Agreement. Such calculation shall not include trains moved under the Hobart Operating Agreement.

(c) The Fee calculated under this Section 6 and the "Fee" calculated under Section 7 of the Riverside Lease Agreement shall be calculated jointly to determine the aggregate Fee payable hereunder and thereunder. Because the Per Train Mile Rate under this Agreement shall always equal the Per Train Mile Rate under the Riverside Lease Agreement, the aggregate Fee payable hereunder and thereunder shall equal the Per Train Mile Rate multiplied by the aggregate number of Train Miles moved by LACTC over the Tracks pursuant to this Agreement and over the "Tracks" pursuant to, and as defined in, the Riverside Lease Agreement.

(d) Within forty-five (45) days after the end of each calendar month, LACTC shall (1) furnish to UP the number of Train Miles moved over the Tracks (and the "Tracks" as defined in the Riverside Lease Agreement) by LACTC during such calendar month and (2) subject to the aforesaid minimum, pay to UP the Fee for such calendar month.

(e) From and after the Full Operations Date, the aggregate Fee hereunder and under the Riverside Lease Agreement shall be computed at a minimum of six (6) trains per day, Monday through Friday, regardless of whether or not that many number of Trains actually operate. Prior to the Full Operations Date, the Per Train Mile Rate shall apply to each train providing public passenger service, without any applicable minimum number of trains per day.

(f) As of July 1 of the year in which the seventh anniversary of the Service Commencement Date occurs and as of July 1 in every seventh year thereafter (each such date being referred to as a "Recalculation Date"), the Per Train Mile Rate shall be, upon the request of either party, recalculated by the parties, as set forth in this Section 6(f). The parties shall agree on the Per Train Mile Rate which will allocate to LACTC its share of Costs, based on the anticipated annual number of train miles that LACTC will move over the Tracks (and the "Tracks" as defined in the Riverside Lease Agreement) in the succeeding seven year period as compared to the anticipated annual number of total train miles that all parties using the

Tracks (and the "Tracks" as defined in the Riverside Lease Agreement) will move over the Tracks (and the "Tracks" as defined in the Riverside Lease Agreement) in the same period. In determining such share of Costs and the anticipated annual number of train miles, the parties shall consider the actual Costs and the actual train miles for the three years preceding the Recalculation Date in addition to their expectations for the succeeding seven year period. "Costs" shall mean all costs and expenses incurred with respect to the Tracks (and the "Tracks" as defined in the Riverside Lease Agreement) which are normally included as Dispatching Costs, Maintenance-of-Way & Structures--Operating Expenses and Maintenance-of-Way & Structures--Capital Expenditures. In the absence of agreement, the matter will be arbitrated in the manner prescribed in Section 10 of this Agreement.

(g) The parties understand and agree that the original Per Train Mile Rate of $5.75 is based on the assumptions that LACTC's allocable share of costs per train mile is as follows:

Dispatching Costs	$ .89
Maintenance, Way and Structures--Operating Expenses	$1.90
Maintenance, Way and Structures--Capital Expenditures	$2.96
TOTAL PER TRAIN MILE RATE	$5.75

(h) Commencing on July 1, 1994, the Per Train Rate shall be adjusted upward or downward as of July 1 of each year (other than a year in which the Per Train Mile Rate is recalculated under Section 6(f) of this Agreement) to compensate for the increase or decrease in the cost of labor and material, excluding fuel, as reflected in the final Annual Indexes for Charge-Out Prices and Wage Rates (1977=100) included in the Railroad Cost Indexes issued by the AAR. In making such determination, the final "Material Prices, Wages Rates, and Supplements Combined (excluding fuel) Index" for the West shall be used, and the final index figure for the calendar year 1993 shall be taken as the base; provided, however, that after any recalculation under Section 6(f) above, the final index figure for the calendar year preceding the most recent Recalculation Date shall be taken as the base. Adjustment for the Per Train Mile Rate shall be achieved by calculating the percent of increase or decrease, as the case may be, in the index figure for the calendar year ending on the December 31 prior to the July 1 on which the adjustment is to be made relative to the index figure for 1993 (or the calendar year preceding the most recent Recalculation Date, as the case may be) and increasing or decreasing the Per Train Mile Rate Fee by such percentage; provided, that such adjustment shall be made to the nearest cent.

i) By way of example, assuming "A" to be the "Material Prices, Wage Rates, and Supplements Combined (excluding fuel) Final Index Figure, Western District" for the calendar year

1993; "B" to be the "Material Prices, Wage Rates and Supplements Combined (excluding fuel) Final Index Figure for the calendar year 1994; and "C" to be the original $5.75 Per Train Mile Rate, the Per Train Mile Rate to be effective July 1, 1994, would be determined by the following formula:

$$\frac{B}{A} \times C$$

ii) In the event the base for the AAR Railroad Cost Indexes issued by the Association of American Railroads shall be changed from the year 1977, appropriate revision shall be made in the base (established as herein provided) for the calendar year 1993 (or the calendar year preceding the most recent Recalculation Date, as the case may be). If the AAR or any successor organization discontinues publication of the AAR Railroad Cost Indexes, an appropriate substitute for determining the percentage of increase or decrease shall be negotiated by the parties hereto. In the absence of agreement, the matter will be arbitrated in the manner prescribed in Section 10 of this Agreement.

7. Property Taxes. To the extent any real property taxes are payable with respect to any portion of the Operating Land, UP shall pay such real property taxes prior to delinquency and shall protect, defend, indemnify and hold LACTC harmless from and against any and all liability, loss, cost, damage or expense (including, without limitation, reasonable attorneys' fees) LACTC may sustain or incur on account of any such real property taxes.

8. Liability, Indemnification and Insurance. The liability, indemnification and insurance provisions set forth in Exhibit D attached hereto are hereby incorporated by reference.

9. Breaches and Defaults. (a) Subject to the arbitration provision set forth in Section 10, should either party hereto fail to perform any of its respective obligations hereunder (the defaulting party), the aggrieved party shall give to the defaulting party reasonable written notice of such non-performance, breach or default. The defaulting party shall have a reasonable period of time to cure that default, but in no event to exceed thirty (30) days from the date of notice. If the defaulting party fails, refuses or neglects to cure within such time, the aggrieved party shall have the right to cure the breach or default itself, charge the costs and expenses thereof to the defaulting party and pursue its remedies pursuant to Section 9(e) of this Agreement.

(b) If any failure on the part of any party to perform in accordance with this Agreement shall result in a governmental fine, penalty, cost or charge being imposed or assessed on or against the other party, such other party shall give prompt notice to the non-complying party, and the non-performing party shall promptly reimburse, defend and indemnify the other party for such fine, penalty, cost or charge and all expenses and attorneys' fees incurred in connection therewith.

(c) Failure on the part of LACTC to comply with any of the provisions of Section 8, requiring insurance coverage, shall constitute a default giving rise to a right to UP to terminate this Agreement by giving LACTC ten (10) days' prior written notice.

(d) Failure on the part of LACTC to replace any Operator which, on a "for cause" basis, becomes reasonably unacceptable to UP, within a reasonable time following notice, shall constitute a default hereunder, giving the UP the right to terminate this Agreement upon giving LACTC thirty (30) days' written notice.

(e) Should LACTC fail to make any payment required hereunder when due or fail in any other respect to perform as required under this Agreement, and such default shall continue for a period of ninety (90) days after notice in writing of such default is given by UP to LACTC, or LACTC shall fail to cure defaults described in paragraphs 9(b), (c), and (d), above, within the time periods set forth, UP may, at its sole election, exclude LACTC from the use of the Track and Operating Land and/or may terminate this Agreement. Thereupon, LACTC shall surrender to UP all of the Track and Operating Land, and LACTC shall have no claim or demand upon UP as a result thereof.

UP may waive any default, but no such action of UP in waiving any default shall affect any subsequent default of LACTC or impair any rights of UP resulting therefrom.

10. <u>Arbitration</u>. If at any time a question or controversy shall arise between the parties hereto dealing with the construction of any part of this Agreement or concerning the observance or performance of any of the conditions herein contained or the rights or obligations of either party under this Agreement, either party shall submit such question or controversy to arbitration under the Commercial Arbitration Rules of the American Arbitration Association as hereinafter provided. Such question or controversy shall be submitted to a single, competent disinterested arbitrator if the parties hereto are able to agree upon such arbitrator within twenty (20) days after the party desiring such arbitration shall notify in writing the other party. If such single arbitrator cannot be agreed upon before the expiration of the twenty (20) days, and either party wishes to pursue arbitration of the matter, arbitration shall be had before a board of three (3) persons to be named as follows: the party demanding such arbitration shall give the other party notice of such demand, stating specifically the question or questions to be submitted for decision or the point or points in controversy, and nominating a person who has the required qualification to act as one arbitrator; the party to whom such notice is given shall appoint a second arbitrator and give the party hereto demanding arbitration notice in writing of such appointment within twenty (20) days from the time of such notice. If, at the expiration of the twenty (20) days from the receipt of such notice, the party receiving it has not notified the party

demanding the arbitration of its nomination of a second arbitrator, the party making the demand may make such selection. The first and second arbitrators shall select a third, and if the arbitrators chosen shall be unable to agree upon a third arbitrator within a period of twenty (20) days from the date of appointment of the second arbitrator, the third arbitrator may be appointed upon ten (10) days' notice upon motion or application of either party hereto by the Chief or Presiding Judge, or judge acting as Chief or Presiding Judge, of the Superior Court of Los Angeles County, California. The parties agree that each shall bear its own costs of arbitration, including any costs associated with the arbitrator selected by each said party. The parties agree to split equally the costs of the third arbitrator. In the event a dispute is arbitrated by a single arbitrator, the parties agree to share all costs of said arbitrator equally.

The arbitrator or board of arbitrators (hereafter "arbitrator(s)") so constituted as aforesaid shall set the date, time and place for each hearing, shall give to each of the parties, at least ten (10) days' advance written notice of the date, time and place of the initial hearing and shall proceed without delay to hear and determine the matters in dispute. The parties may offer such evidence as is relevant and material to the dispute and shall produce such evidence as the arbitrator(s) may deem necessary to an understanding and determination of the dispute. The arbitrator(s) or other person authorized by law to subpoena witnesses or documents may do so upon the request of any party. The award shall be made promptly by the arbitrator(s) and, unless otherwise agreed by the parties or specified by law, no later than thirty (30) days from the date of closing the hearing. Each of the parties hereto may be represented by counsel or other authorized representative at any hearing. The party intending to be so represented shall notify the arbitrator(s) and the other party of the name and address of the representative at least three (3) days prior to the date set for the hearing.

The award of such arbitrator(s), or of a majority of them, shall be final and binding upon the parties to such arbitration, and each party shall immediately make such changes in the conduct of such party's business or such payment as restitution, as the case may be, as required by such award. The books and papers of the parties hereto, so far as they relate to matters submitted to arbitration, shall be open to the investigation of the arbitrator(s).

The parties agree that the arbitrator's(s') award may be entered with any Court having jurisdiction and the award may then be enforced as between the parties, without further evidentiary proceedings, the same as if entered by the Court at the conclusion of a judicial proceeding in which no appeal was taken. Arbitration shall be the sole remedy for defaults under this Agreement.

11. <u>Memorandum of Agreement</u>. The parties shall cause a memorandum of this Agreement in the form attached hereto as Exhibit B to be recorded in the real property records of Los Angeles County and Riverside County, California.

12. <u>Effectiveness; Termination</u>. (a) This Agreement shall not become effective until it has been approved by the Los Angeles County Transportation Commission, the Riverside County Transportation Commission and the San Bernardino Associated Governments, as members of LACTC, and thereafter this Agreement shall be effective and shall burden the Operating Land in perpetuity, unless terminated pursuant to Section 12(b) or Section 12(c).

(b) LACTC may terminate this Agreement upon sixty (60) days prior advance written notice to UP of LACTC's intention to terminate, which notice shall set forth the termination date. After such termination date, LACTC shall have no further obligation under this Agreement.

(c) If LACTC ceases to operate Trains over the Tracks for a period of five years, then this Agreement shall terminate and LACTC shall have no further rights hereunder.

13. <u>Assignment</u>. (a) LACTC may assign all of its rights hereunder to, and all of LACTC's obligations and duties hereunder may be assumed by, a financially and operationally capable joint powers governmental agency, including, without

limitation, the Southern California Regional Rail Authority. LACTC shall give UP at least sixty (60) days' prior written notice of any such assignment and, at UP's request, LACTC shall provide reasonable evidence that such proposed assignee is financially and operationally capable. The enabling legislation and other charter documents for the proposed joint powers governmental agency shall provide it with powers and authority that are not less extensive than those of LACTC set forth in this Agreement, and such powers and authority as are required to incur and satisfy the obligations and duties so assumed. Thereafter, the successor governmental agency, and not LACTC, shall be primarily obligated to UP hereunder for performance of, and compliance with, all of the obligations and duties of LACTC set forth in this Agreement.

(b) UP may not sell all or any portion of its interest in the Operating Land and the Track, and UP may not assign or otherwise delegate any of its rights and duties hereunder in connection with a sale of its interest in the Operating Land and the Track, without the prior written consent of LACTC which shall not be unreasonably withheld (and in any event shall not be withheld if such sale will not have a materially adverse impact on the current or intended operations of LACTC), except that UP may, without the consent of LACTC, transfer:

(i) the Operating Land and the Tracks and assign its rights and duties hereunder to a financially and operationally capable class 1 railroad; provided that UP shall give LACTC at least forty-five (45) days' prior written notice of any such sale, assignment, or delegation and, at LACTC's request, UP shall provide reasonable evidence that any purchaser, assignee, or delegee is financially and operationally capable;

(ii) any portion of the Operating Land not within fifty (50) feet of the centerline of any now or hereafter existing main line Track; and

(iii) any portion of the Operating Land to any party if (1) UP shall have first offered to sell such portion to LACTC at the fair market value thereof, (2) LACTC shall have expressly declined such offer or shall have failed to accept such offer within three months after receiving written notice thereof from UP and (3) within one year after first offering to sell such portion to LACTC, LACTC shall have closed such sale, at a purchase price no less than offered to LACTC.

Any sale or assignment of UP's interest in the Operating Land or the Tracks shall be subject to LACTC's rights under this Agreement.

14. Force Majeure. Each party will be excused from the performance of any of its obligations hereunder to the other party where such nonperformance is occasioned by any event beyond its control, which shall included without limitations, any order, rule, or regulations of any federal, state, or local governmental body, agency, or instrumentality, work stoppage, accident, natural disaster, or civil disorder, provided the party so

excused hereunder shall use all reasonable efforts to minimize its nonperformance and to overcome, remedy, cure, or remove such event as soon as reasonably practicable.

15. Notices. All notices, demands, requests, and other communications under this Agreement shall be in writing and shall be deemed properly served if delivered by hand to the party to whose attention it is directed, or same shall be deemed to have been properly served and delivered on the fifth day after being mailed by registered or certified mail, return receipt requested, with postage prepaid and addressed as follows:

If intended for LACTC:	Los Angeles County Transportation Commission 818 West Seventh Street Los Angeles, CA 90017 Attention: Mr. Richard Stanger
If intended for UP:	Union Pacific Railroad 1416 Dodge Street Omaha, Nebraska 68179 Attention: Mr. A. L. Shoener
With a copy to:	Vice President-Law Union Pacific Railroad Company 1416 Dodge Street, Room 830 Omaha, NE 68179

Each party may designate by notice in writing substitute parties and/or a new address to which any notice, demand, request or communication shall thereafter be served.

From time to time by written notice to the other party, each party shall designate its representative for operations matters under this Agreement. With respect to discussions with such representative on matters of operations under this Agreement, each party shall be entitled to rely on the responses and decisions made by the other party's representative so designated.

16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

17. Severability. Each provision of this Agreement shall be interpreted so as to be effective and valid under applicable law to the fullest extent possible. If any provision contained herein shall for any reason be held invalid, illegal or unenforceable in any respect, then, in order to effect the purposes of this Agreement, it shall be construed as if such provision had never been contained herein.

18. Entire Agreement. This Agreement, including the exhibits attached hereto, contains the entire agreement between LACTC and UP with respect to operations on the Operating Land and the Tracks. No modifications or amendments to this Agreement shall be binding upon either party unless set forth in a document duly executed by both LACTC and UP.

19. No Third Party Beneficiaries. This Agreement, including, without limitation, the provisions set forth on

Exhibit D hereto, is for the benefit of the parties hereto and their successors and assigns only, and shall not be deemed to inure to the benefit of any third parties.

20. No Partnership. It is the intention of the parties not to render the parties liable as partners of each other. Neither party shall be liable for obligations incurred by the other party, except as expressly provided in this Agreement. Nothing in this Agreement nor any of the activities of parties pursuant to this Lease shall be construed to create a partnership of any kind between the parties.

IN WITNESS WHEREOF, the parties to this Agreement have duly executed it as of the day and year first above written.

UNION PACIFIC RAILROAD COMPANY

By:

Printed Name: L.B. SCHOULTZ
Title: EX. ASST. TO EX. VICE PRESIDENT-OPERATION

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

By:

Richard Stanger
Title:

December 20, 1991
28327j11

EXHIBIT A

DESCRIPTION OF OPERATING LAND

All of Sellers right-of-way along Seller's Los Angeles Subdivision line between Milepost 2.09 near 9th Street in Los Angeles, California to Milepost 56.6 at West Riverside, California, just short of the switch to the Atchison, Topeka and Santa Fe Railway Company railroad.

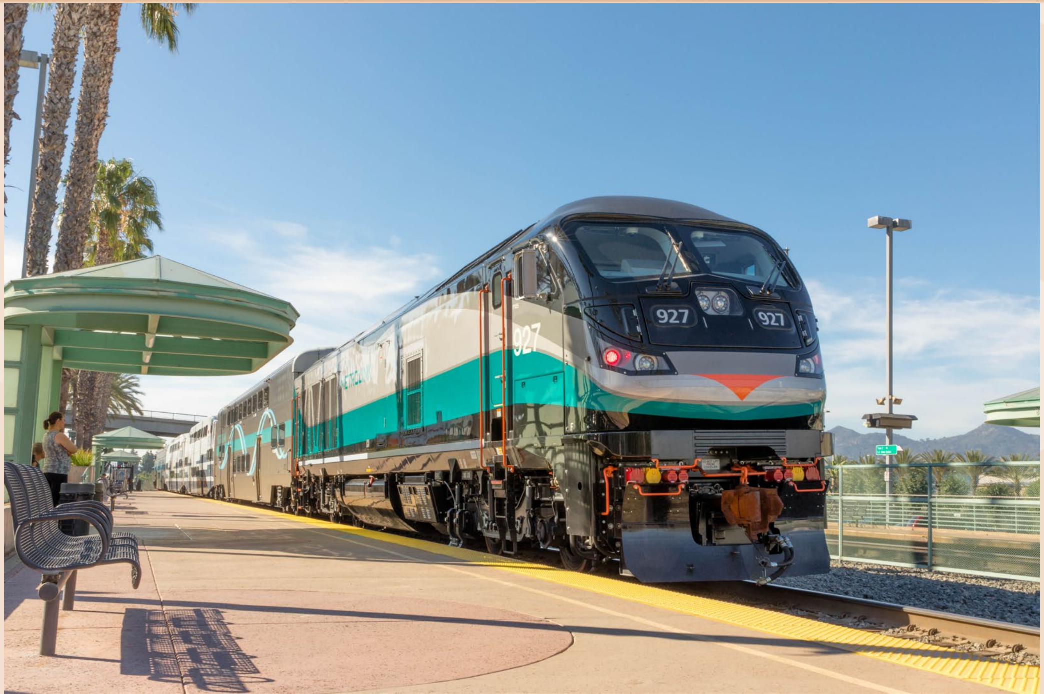
December 20, 1991
28327j11

Los Angeles County Metropolitan Transportation Authority

Metrolink FY26 Continuing Resolution and FY27 Passenger Rail Supportive Actions

Finance, Budget and Audit Committee

September 17, 2026



Metro

Recommendations

A. AUTHORIZING the CEO or their designee to **execute Metrolink's second continuing resolution to extend Fiscal Year 2026 (FY26) budget authorization through the second quarter of FY27 until January 1, 2027**, and execute all necessary agreements between Metro and the Southern California Regional Rail Authority (SCRRA or Metrolink) based on the continuing resolution;

B. APPROVING additional funding in the amount of up to $365,202 for **Metro's share of the San Bernardino Line 25% Fare Reduction Program** using Proposition C 10%/Measure M 1% SCRRA dedicated funds and extending the program from June 30, 2025, to June 30, 2030;

C. APPROVING **Burbank Airport–South Metrolink station safety improvements** using Measure R 3% SCRRA-dedicated funds in the amount up to $1.3 million;

D. APPROVING **Pomona–Downtown Metrolink station Americans with Disabilities Act (ADA) improvements** using Measure R 3% SCRRA-dedicated funds in the amount up to $256,720;

E. EXTENDING the **lapsing dates for funds previously allocated to SCRRA** for 12 State of Good Repair and capital project Memoranda of Understanding (MOU).

F. RECEIVING AND FILING an **update on Metrolink Station Planning**.

Metro

Recommendation A: Metrolink FY27 Budget Development Update

- FY27 budget unresolved; Metrolink requests a second three-month continuing resolution to continue operations while the budget is finalized.
- Metro's $137.2M operating subsidy is consistent with actual expenditures in recent years
  - Funding: Proposition C 10% and Measure M 1%
- SCRRA submitted its first FY27 budget proposal on July 18, 2026
  - Continues current service level following the March 2026 20% service reduction
  - Exceeds Metro's FY27 funding target by $12.1M and OCTA's by $6.0M (combined 70% of subsidy)
  - Cost drivers: Mandated 5% Alstom contract escalation, fuel (+31%), FY26 crew levels, wage increases
  - A revenue forecast error accounts for ~$8M of Metro's $12.1M gap
- Member agencies must revise budget assumptions and service levels to meet subsidy targets

Metro

Recommendations B-C: Passenger Rail Supportive Actions

- Recommendation B: San Bernardino Line 25% Fare Reduction Program
  - Extends the program through 2030, when it is projected to break even
  - No additional funding needed after 2030; program then integrates into Metrolink's permanent fare structure

- Recommendation C: Burbank Airport–South Station Safety Improvements
  - City of Burbank has expressed interest in assuming maintenance once Metro completes safety and ADA work
  - Site inspections estimate up to $1.3M needed for state of good repair and ADA compliance

Metro

Recommendations D-F: Passenger Rail Supportive Actions

- Recommendation D: Pomona–Downtown Station ADA Improvements
  - DOJ identified 96 ADA accessibility findings at this station
  - Measure R 3% funds reimburse the City of Pomona up to $256,720 for four deficiencies
- Recommendation E: MOU Extensions for State of Good Repair and Capital Projects
  - Extends lapsing dates on 12 MOUs due to supply chain and unforeseen project delays
- Recommendation F: Metrolink Station Planning Update
  - Staff continue leading station planning, environmental clearance, and design efforts, including preliminary engineering for:
    - Pico Rivera Metrolink Station – Preliminary Engineering
    - Pacoima Metrolink Infill Station and Mobility Hub – Preliminary Engineering
    - Los Angeles General Medical Center – Preliminary Engineering

Metro

Next Steps

- Staff continue working with SCRRA to develop a revised FY27 budget proposal that meets Metro's operating subsidy target
  - Once the SCRRA Board transmits a final FY27 budget, staff will return to the Board with a recommendation

- Upon approval, Metro will fund the Burbank–South improvements, the San Bernardino Line fare discount program, and the Pomona station ADA improvements

- Updates on the Pico Rivera, Pacoima, and LAGMC station projects will come as standalone Board items if needed

- If the FY27 budget is not finalized by December 31, 2026, the CEO will amend the FY26 Metrolink MOU to authorize the second-quarter continuing resolution

Metro