



ITEM ID: 2026-247-0

TRANSMITTAL DATE: June 8, 2026

MEETING DATE: June 12, 2026

TO: Budget, Audit, and Finance Committee

FROM: Tom Schamber, Chief Financial Officer
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SUBJECT: FY27 Budget Development Update

Issue

Staff will provide an update on the status of development of the FY27 Budget.

Recommendation

Receive and file.

Background

At its May 22nd meeting, the Board decided to create a new committee that is focused on budget, audit, and other financial matters. The Committee requested a detailed update on the budget development process at its first meeting.

Discussion

Operating Budget

Traditionally, the annual budget development process takes seven months. This includes finalizing a service schedule, preparing ridership and revenue forecasts, collecting and consolidating operating cost estimates from cost centers agencywide, analyzing results, making adjustments in collaboration with the cost centers, and then sharing the budget with the Member Agencies for feedback and adjustment.

The FY27 budget development process, while started on time, encountered several significant developments, some very late in the development timeline, that halted development and/or

caused rework. The following is a list of items that have caused delays in the process:

- In December 2025, it became apparent that the FY26 ridership and revenue forecast was overly optimistic, and future years would also likely need to be adjusted downward. SCRRA's forecasting consultant, Sperry/KMPG, was asked to review its forecasting tool, make adjustments, and develop updated forecasts for FY26 and FY27. The new forecast was completed in early February 2026. The new forecast showed that FY26 fare revenues were overstated by approximately \$15M. The FY27 forecast was naturally adjusted to align its starting point with the newly forecast ending point for FY26.
- On January 5, 2026, a communication was received from the Orange County Transportation Authority stating that financial constraints limited their ability to support Metrolink Operations to an amount no greater than 10% below their funding for the FY26 Budget. They also communicated a \$25M cap on their funding of the Capital Budget.
- On April 2, 2026, a communication was received from the Los Angeles County Metropolitan Transportation Authority that financial constraints limited their ability to support Metrolink operations to an amount no greater than 3% below their funding for the FY26 Budget. They also communicated a \$75M cap on their funding of the Capital Budget. Furthermore, the amount available for operations would remain flat for three additional years through FY 2030.
- On April 17, 2026, at the Member Agency CEO's meeting, Metrolink was asked to prepare two additional budget scenarios for consideration, each with a different service schedule, for a total of three.

Each time one of these significant events was encountered, further budget development was put on hold while new service schedules were developed. The service schedule is typically finalized in December.

Each service schedule must balance financial constraints for the agency as a whole, specific requests from Member Agencies, and the preservation of as much ridership as possible while using crews as efficiently as possible. This is complex, time-consuming, and requires close collaboration and iteration with Alstom, our vendor for transit operations and maintenance services. This process began almost immediately after the January communication from OCTA, and has continued through the first week of June, when final costs for all three scenarios became known.

In recent years, ridership and revenue forecasts have been completed by an outside consultant at the request of the Member Agencies and Board. While the consultant's forecasting methods and models were sophisticated, they have also been costly, and take considerable time to complete. Staff tried to conserve financial resources by holding the development of forecasts until more was known about the specific service schedules selected for analysis. Ultimately, staff has determined that, due to the extremely urgent timeline for budget development, ridership and revenue forecasts will be completed in-house, as they once were. This decision should save three or more weeks in the budget timeline.

Now that train operator costs are known for each budget scenario, other expense items that depend on them can be calculated. Once the ridership and revenue forecast is completed, all revenue and expense items dependent on that forecast can also be calculated.

From there, the Finance team will analyze all the inputs to ensure that all revenues and costs are accurate and reasonable. They will work with cost center owners when items of revenue and cost require further justification, and potentially adjustment.

The final step is to prepare materials for distribution and presentations to the MAAC, Member Agency CEOs, the Budget, Audit, and Finance Committee, and the Board.

The current timeline is as follows:

- June 10: Capital budget presented to the MAAC.
- June 26: Regular Board Meeting
 - Adopt continuing resolution for operating budget.
 - Adopt continuing resolution for Arrow budget.
 - Adopt capital budget carryforward.
 - Approve transmittal of the capital budget.
- July 9: Three operating budgets presented to the MAAC.
- July 10: Budget, Audit, and Finance Committee.
- July 24: Regular Board Meeting
 - Approve transmittal of the operating budget.
- Aug 14: Special Board Meeting
 - Public hearing
 - Adoption of the operating, capital, and Arrow budgets.

Note that the Board approved transmittal of the Arrow Budget at its May 22nd meeting.

Some Member Agencies have indicated that they do not intend to obtain approval of the Metrolink/Arrow Budgets from their boards until September. Staff intends to make our request for budget adoption to the Metrolink Board contingent upon subsequent approval of all five member agencies. Spending authority will remain in place through September 30th via a continuing resolution. This approach is recommended because Metrolink needs to notify Alstom of our final service plan six weeks before it is scheduled to start on October 1st. There must be a sufficient level of certainty in order to do that. If the Board chooses to delay transmittal or adoption of the Metrolink Operating Budget, implementation of the new schedule may be delayed due to this notice requirement.

Capital Budget

The development of the FY27 Capital Budget has followed a different path than customary due to bifurcation from the Operating Budget. The Authority's Capital Budget consists of both State of Good Repair (SoGR) and New Capital Projects, excluding SCORE projects that are funded through grants. SoGR Projects address existing capital assets, including track, structures, railroad signaling, facilities, and rolling stock to keep them in proper operating condition, ensuring safe and reliable train operations. New Capital Projects expand railroad infrastructure, assets, and systems.

Historically, SoGR Projects have been prioritized in the annual Capital Budget as New Capital projects are often able to be funded via competitive grants, secured outside of the annual Capital Budget process.

The FY27 Capital Budget development process began in October 2025 with project managers

and asset owners compiling an unconstrained list of projects deemed necessary to keep the Authority's assets in a state of good repair, totaling approximately \$300 million.

In November 2025, the Authority's Capital Steering Committee refined the list of projects based on established ranking criteria, resulting in a prioritized list of projects, that totaled \$197 million.

The Authority received correspondence from OCTA on January 5, 2026 and from LA Metro on April 3, 2026, confirming they were capping their capital contributions at \$25 million and \$75 million respectively. In response, the Capital Steering Committee modified the Capital Budget to meet the capped amounts from the two member agencies, ultimately resulting in a total Capital Budget of \$163 million, consisting of SoGR projects totaling \$152 million and New Capital projects totaling \$11 million. This Capital Budget and the associated project lists were presented at the May 2026 Board of Directors' meeting.

Risks of underfunding the SoGR Program include impacts to the Authority providing reliable service to our customers and increased operational budget expenses. The Metrolink Rehabilitation Plan (MRP) is utilized by Staff as the baseline document for the development and prioritization of SoGR projects. In aggregate, the MRP identifies that the Authority has a backlog of SoGR projects totaling \$934 million (2027). The MRP also identifies that \$149 million (2027) is needed annually to address SoGR projects in order to maintain the current amount of SoGR backlog. Annual funding above \$149 million will draw down the backlog, while underfunding will increase the backlog.

Staff presented a request to the Board at its May 22nd meeting to transmit the Proposed FY27 Capital Budget to the Member Agencies, with the intent to request adoption at the June 26th meeting. The Board elected to defer transmittal because they were concerned that the MAAC did not have sufficient time to review and comment on the proposed budget. The MAAC has been provided with a project listing, and it will be discussed at the June 10th MAAC meeting. Staff will also afford opportunities for Member Agency specific meetings to be scheduled to allow for more detailed discussions about specific projects if needed. Staff will return to the Board in June with a second request to transmit the Capital Budget. Should the Board approve the request, the Board will be asked to adopt the Proposed FY27 Capital Budget at its August 14th special meeting concurrent with the operating budget.

It is a best practice in public finance for a Governing Board to annually reauthorize unspent capital appropriations from prior years. The carryforward of capital appropriations is traditionally requested in alignment with the adoption of the capital budget each year. However, since the FY27 Capital Budget will not be adopted by June 30th, staff will bring a request to carryforward unspent capital appropriations in June to ensure that capital projects already in progress will not experience costly delays.

Next Steps

Staff will continue to provide updates on budget development at the Budget, Audit, and Finance Committee and Regular Board Meetings.

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Approved by: Tom Schamber, Chief Financial Officer
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Attachment(s)

[Presentation - FY27 Budget Development](#)