ITEM 7.A

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ITEM ID:	**2026-283-0**
TRANSMITTAL DATE:	**July 17, 2026**
MEETING DATE:	**July 24, 2026**
TO:	**Board of Directors**
FROM:	**Tom Schamber, Chief Financial Officer**
SUBJECT:	**FY27 Budget Development Update**

Issue

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

Recommendation

Receive and file.

Strategic Commitment

This report aligns with the Strategic Business Plan commitment of:

- **Modernizing Business Practices:** We will improve our operational efficiency through transparency, objective metrics and streamlined governance, reducing over-reliance on Member Agency support while bringing our system into a state of good repair and investing in the development of our employees. Providing current and accurate information based on factual data to our Board enhances their oversight and ability to provide direction.

Background

At its May 22nd meeting, the Board created a new committee that is focused on budget, audit, and other financial matters.

Discussion

Staff provided an update on the progress of budget development for the FY27 budget to the Budget Audit and Finance Committee (BAFCOM) at its meeting of July 10, 2026. Consistent with Board direction and at the request of the member agency Executives, Metrolink Budget and Finance staff focused solely on developing a budget for a schedule scenario, commonly referred to as Scenario 4, which operates a service schedule that is in operation as of March 23, 2026 when service was reduced due to mechanical challenges being experienced by Metrolink's locomotive fleet. As of the writing of this Board Report, Budget staff is finalizing the FY26-27 Operating budget and member agency financial support requirements for sharing with the member agencies. When the Board discusses this item at the July Board meeting, member agency Executives and Member Agency Advisory Committee members will have received the final draft budget accompanied by the member agency support requirements from each member agency, with a request to provide feedback by the end of July.

Staff provided two timelines to BAFCOM for consideration under the assumption that there would be consensus of the five-member agency staffs in support of the draft budget based on Scenario 4. The Alternative 1 timeline would have the Board approving a final budget at a special Board meeting September 11 with an effective date of October 1. The Alternative 2 timeline would have the Board approving a final budget at the end of September with an effective date of November 1, necessitating a one-month extension of the current continuing appropriation resolution. BAFCOM voted 3-1 (Ayes: Metro, RCTC, SBCTA; Nay: OCTA; Absent: VCTC) to proceed with the Alternative 1 timeline.

However, staff emphasized that should there not be consensus amongst the member agencies with the final budget based on Scenario 4 as presented to the member agencies in mid-July, significantly more time will be required to undertake an "iterative" process to make further service cuts to get to member agency support amounts that are amenable to all member agencies. Such a situation will require a three-month extension of the current continuing appropriation resolution through December 31, 2026 which is the following item on the Board agenda.

Next Steps

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

Prepared by:	Tom Schamber, Chief Financial Officer
Approved by:	Tom Schamber, Chief Financial Officer

Attachment(s)

Presentation - FY27 Budget Development