



**Finance and Capital Committee
Board Information Item IV - A
October 22, 2026**

**FY2027 Operating Budget Year-to-Date and FY2028
Operating Outlook**



Board Document

OVERVIEW			
PRESENTATION NAME	FY2027 Operating Budget Year-to-Date and FY2028 Operating Outlook	DOCUMENT NO.	300165
ACTION OR INFORMATION	Information		
STRATEGIC TRANSFORMATION PLAN GOAL	Financial and Organizational Efficiency		
RESOLUTION	No		
EXECUTIVE OWNER			
EXECUTIVE TEAM OWNER	Rickard, David		
DEPARTMENT	Finance		
DOCUMENT INITIATOR	Byrnes, Marcus		
OTHER INFORMATION			
COMMITTEE	☐ Exec/OIG ☐ Board ☐ Exec/Non-OIG ☒ Finance & Capital ☐ Safety & Ops ☐ Board (consent)	COMMITTEE DATE	10/22/2026
PURPOSE/KEY HIGHLIGHTS	Present the year-to-date FY2027 operating budget and FY2028 operating outlook.		
DISCUSSION	Metro is delivering more to the region through a focus on unit cost efficiency within available resources. Heading into the FY2028		



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budget cycle, Metro continues to improve service in the pursuit of higher ridership and revenue levels, is focused on cost efficiencies and expenses, and is maintaining progress on its crime reduction.

Annual operating growth rates are approaching FY2019 levels following a period of sustained regional investment and double-digit passenger revenue growth, which kept sources ahead of uses through FY2026.

Since the approval of the FY2027 budget, multiple developments have changed the financial outlook and adjustments for cost pressures will be proposed in a November budget amendment. Local 689 CBA cost-of-living adjustments and related-pension costs put Metro \$14 million above annual budget estimates. Costs for traditional paratransit service continued to rise along with demand, putting Metro \$5.4 million year-to-date over budget. FY2026 year-end operating surplus of \$14 million provides an additional \$2 million in one-time funds. Metro's Gold Line bus rapid transit service in support of the new RFK stadium site redevelopment is a new reimbursable capital project that would need to be included in the proposed budget amendment.

The FY2028 ridership and revenue outlook assumes moderating ridership growth and manageable headwinds. Baseline assumptions include continuing strong demand for paratransit and paratransit alternatives, fare increases which will raise revenue while modestly reducing ridership, and an overall ridership growth from FY2027. Potential headwinds include changes in ridership patterns, a downturn in the local economy, and rising consumer prices curbing non-work-related trips. However, Metro can build on recent improvements in bus fare enforcement and maximize ridership through an increase in fares and parking rates.

While FY2028 total revenue is approaching pre-pandemic levels, it lags with current Metro Bus fare evasion rates. Recent gains in fare compliance to 37 percent on Metro Bus are worth \$5-10 million per year. Returning bus fare payment compliance to FY2019 levels would add \$57 million in annual passenger revenue and restore total revenue to FY2019 levels.

Metro's expense outlook and assumptions include higher personnel expenses due to mandated general wage increase and benefits;



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overtime driven by unscheduled leave and service schedules; and pension and health care benefits driven by premium pay, raises, and health care inflation. Non-personnel operating expense increases are due to diesel, CNG, and electricity costs rising with service levels and rates; paratransit vendor cost and volume growth based on forecast above inflation; and a 3 percent rate of inflation across remaining non-personnel expenses for FY2028. Metro can manage these rising costs by identifying operational and administrative efficiencies and promoting lower-cost paratransit alternatives as well as call-center technologies.

The preliminary FY2028 operating outlook anticipates total revenue ranging between \$710 million and \$730 million, with total gross expenses totaling between \$2.965 billion and \$2.980 billion. Expenses less revenue are expected to total somewhere between \$2.235 billion and \$2.295 billion. After a \$150 million preventive maintenance transfer and a jurisdictional subsidy of \$2.006 billion, Metro is projecting a funding gap totaling between \$79 million and \$114 million. Key drivers of this gap include \$5 million in higher general wage increases consistent with Metro's labor agreements; \$25 million to \$35 million in fuel, propulsion, and other costs; and \$25 million to \$45 million in paratransit costs.

Sustained and growing jurisdictional investment is essential for a stable operating budget and reliable service for the region. The preliminary subsidy outlook includes \$1.940 billion total subsidy for FY2027, plus \$58 million (3 percent growth), plus \$8 million in FY2027 service annualization, totaling \$2.006 billion in total subsidy for FY2028. Not included in the FY2028 total subsidy is the Youth Pass program, which would increase contribution levels by \$7 million; future service investments, which exclude any service optimization in FY2028 beyond FY2027 year-end levels; and forgone subsidy, where the adopted FY2027 jurisdictional contributions were \$23 million less than plan.

Growth rates between D.C., Maryland, and Virginia vary due to annualized FY2027 service levels for bus and rail, updated inputs, and an increase in Metro Access expenses.

Must achieves for the FY2028 budget process include identifying operating efficiencies, funding baseline growth, and advancing DMVMoves for a successful FY2028 budget. Board and stakeholder



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	engagement over the coming months include a budget preview in November; a GM/CEO proposed budget submitted in December; discussions, hearings, and outreach in February; budget adoption by the board in April; and the submittal of federal grant applications in May.
INTERESTED PARTIES	No interested parties identified.
RECOMMENDATION/NEXT STEPS	An update on development of the FY2028 Operating Budget and six-year Capital Improvement Program (CIP) will be presented at the November board meeting.
FUNDING IMPACT	These are preliminary estimates that will be refined when the GM/CEO proposed budget is submitted in December.

FY2027 Operating Budget Year-to-Date and FY2028 Operating Outlook



Finance and Capital Committee

Washington Metropolitan Area Transit Authority

October 22, 2026

Delivering Your Metro, the Way Forward



Service Excellence

Deliver safe, reliable, convenient, accessible, and world-class service that customers can trust across all modes.

Objectives of Service Excellence Goal

- **Safety and Security**
- **Reliability**
- **Convenience**



Talented Teams

Attract, develop, and retain world-class talent where individuals feel valued, supported, and proud of their contribution.

Objectives of Talented Teams Goal

- **Recruitment and Retention**
- **Learning and Development**
- **Customer Service Mindset**

Focus
Today



Financial & Organizational Efficiency

Steward public resources and efficiently allocate resources where they drive the most value, to ensure service delivery.

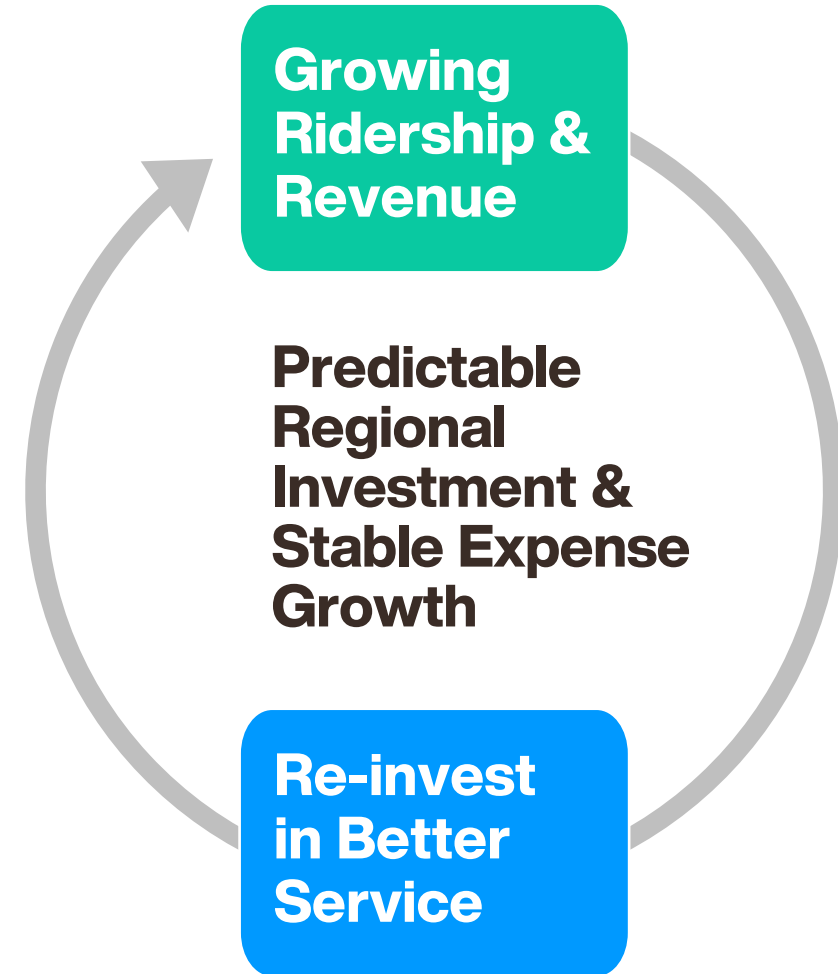
Objectives of Financial & Organizational Efficiency Goal

- **Financial Responsibility**
- **Organizational Efficiency**
- **Energy Management**

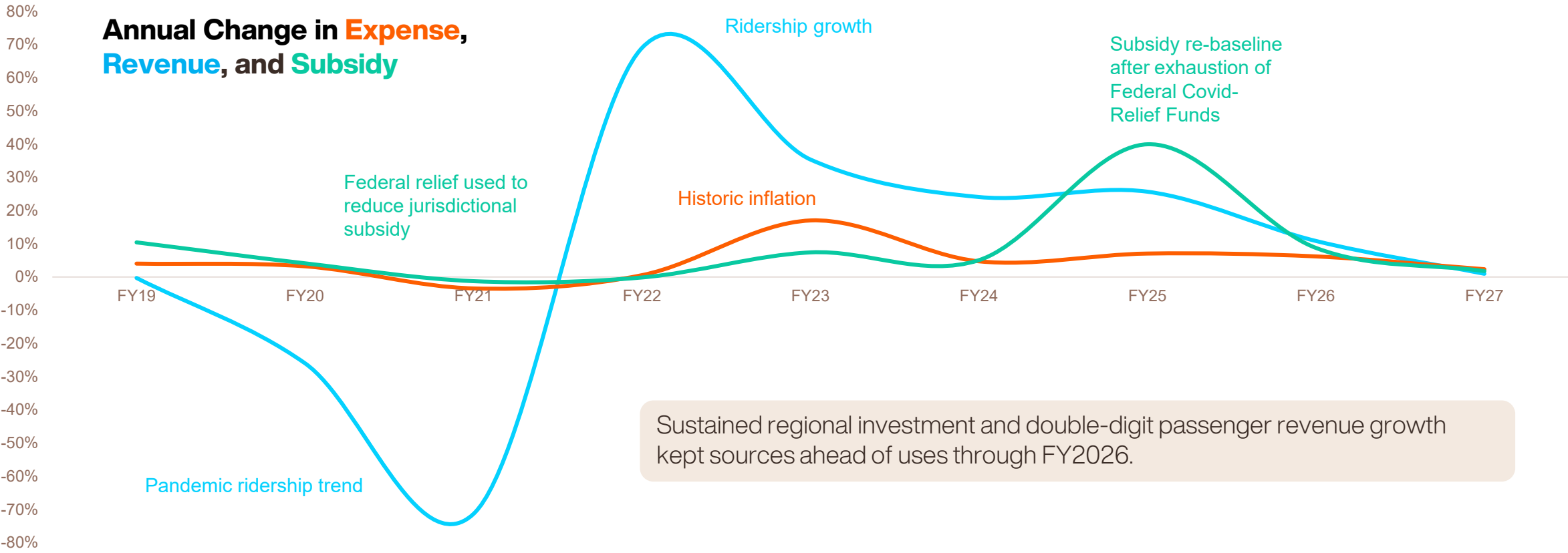
Budget Approach Focuses on Delivering More to the Region

Focus on unit cost efficiency and delivering the most value with available resources

- Continue to improve service to drive ridership and revenue growth
- Focus on cost efficiency and managing expense growth
- Sustaining improved customer experience including bringing crime to the lowest levels in Metro history



Annual Operating Growth Rates Approaching Pre-Pandemic Levels



Events Since FY2027 Budget Approval

Multiple developments have changed the picture since the FY2027 budget was adopted



COST

Wage and Pension Growth

Local 689 CBA cost-of-living adjustments increase wage and pension costs are **\$14M** above FY2027 budget estimates



REVENUE

Carryover

Although the FY2027 budget assumed a \$12M FY2026 surplus, actual results reached \$14M — an additional \$2M of one-time relief available against FY2027 cost pressures



COST

Paratransit

Rising costs for traditional paratransit service while continuing to experience growth in demand. **\$5.4M** over YTD budget.



CAPITAL REIMBURSABLE

RFK

Metro agreement tied to the RFK Stadium redevelopment is a reimbursable capital project, funded by the District of Columbia.

Adjustments for cost pressures to be proposed in November FY2027 budget amendment

FY2028 Ridership and Revenue Outlook

The FY2028 baseline assumes moderating ridership growth, with headwinds Metro can actively manage

Baseline Assumptions

Drivers

- Ridership growth continues from the FY2027 base at a moderated pace
- Fare increases raise revenue while modestly reducing ridership
- Continued strong demand for paratransit and paratransit alternatives

Potential Headwinds

Factors that could affect FY2028

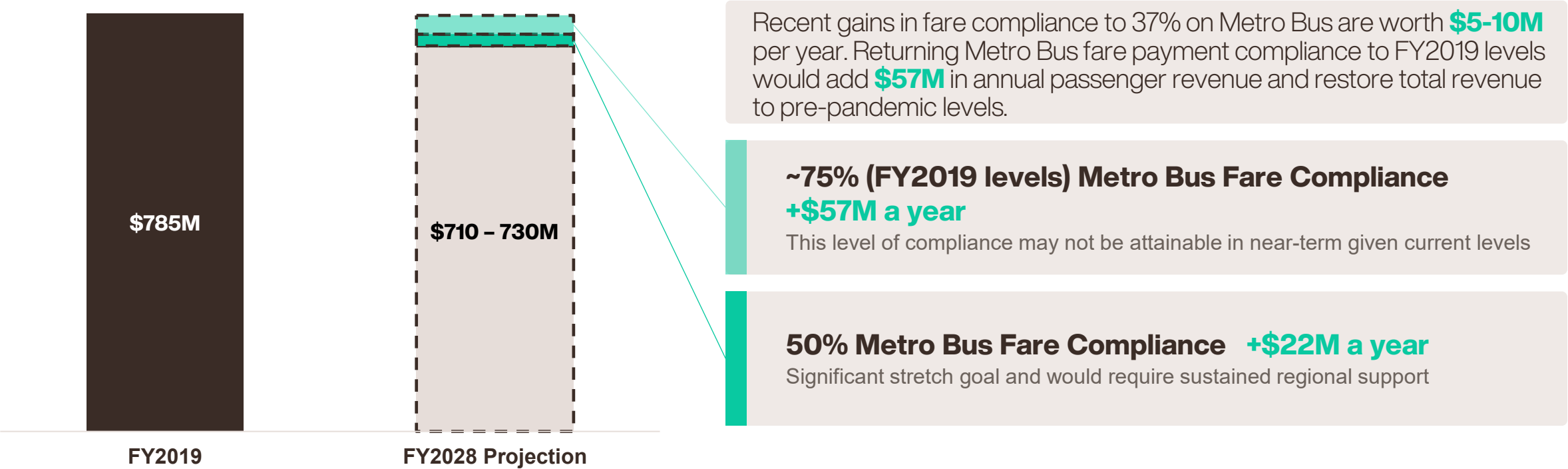
- Change in employee ridership patterns
- Downturn in regional economy impacting jobs and revenue
- Rising consumer prices curb non-work trips

What Metro Can Do

Strengthen FY2028 revenue

- Build on recent improvements in fare payment compliance on Metro Bus
- General fare increase along with parking rate optimization to maximize ridership using new policies and technology

FY2028 Total Revenue Approaches Pre-Pandemic Levels But Lags with Current Metro Bus Fare Evasion Rates



Operating Expense Outlook and Assumptions

Expense growth is driven by personnel and inflation, with actions Metro can take to manage costs

Personnel

- Mandated general wage increases and benefits
- Pension and health care benefits driven by premium pay, pay raises, and health care inflation

Non-Personnel Operating

- Diesel, CNG, and electricity costs rise with service levels and rates
- Paratransit cost and volume growth based on forecast above inflation
- Inflation of 3% in FY2028 across remaining non-personnel expenses
- **Risk: inflation could exceed forecast**

What Metro Can Do

- Continue to identify operational and administrative efficiencies
- Promote lower-cost paratransit alternatives and call-center technology

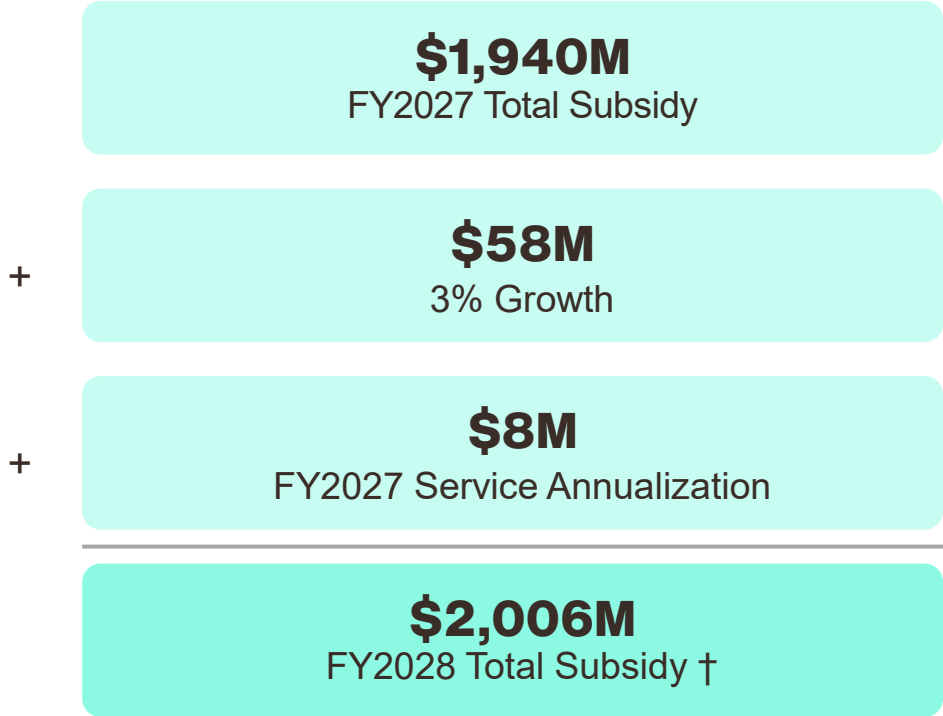
Preliminary FY2028 Operating Outlook

\$ in M	Scenario	Key Expense Drivers
Total Revenue	\$710 – 730	CBA Required Increases Above 3% Risk CPI could be higher\$5
Total Gross Expenses	\$2,965 – \$2,980	
Expenses Less Revenue	\$2,235 – 2,270	Fuel, propulsion, and other\$25 - 35
Preventive Maintenance Transfer	\$150	
Jurisdictional Subsidy	\$2,006	Paratransit\$25 - 45
Gap	(\$79 – 114)	

Note: amounts may not sum due to independent rounding. The total revenue row includes an assumed general fare increase.

Preliminary Subsidy Outlook

Sustained and growing jurisdictional investment is essential for a stable operating budget and reliable service for the region



† What Is Not Included in the FY2028 Total Subsidy

- Youth Pass**
Free-to-youth bus and rail fares for all children ages 5-18 would increase contributions levels by **\$7M**
- Future service investments**
Excludes any service optimization in FY2028 beyond FY2027 year-end levels.
- Foregone subsidy**
Adopted FY2027 jurisdictional contributions were **\$23M less than plan**

Note: amounts may not sum due to independent rounding

Preliminary Jurisdictional Allocation Outlook

<i>\$ in M</i>	FY2027	FY2028 Scenario*	vs. FY2027
District of Columbia	\$743	\$780-795	5-7%
Maryland	\$697	\$711-725	2-4%
Virginia	\$500	\$505-515	1-3%
Total	\$1,940	\$2,006	~3%

* Excludes Debt Service for Gross Revenue Bonds

Funds Baseline Growth Only -
Subject to Change

Growth Rates Vary Due to...

- Annualized FY27 Service levels for Bus and Rail
- Updated inputs
- Increase in Metro Access expenses

Because jurisdictional allocations are shown as estimates, FY2028 amounts may not sum in Total row



FY2028 Must Achieves

Critical outcomes for the budget and related cycle:

01

Fund Baseline Growth

Secure a 3% subsidy increase plus FY2027 service annualization, so jurisdictional contributions fully cover baseline cost growth.

02

Advance *DMVMoves*

Fund critical capital needs and make targeted investments that bend the long-term operating cost curve.

03

Identify Additional Operating Efficiencies

Propose a budget that meets Metro’s commitments. Proposed efficiencies in development:

- Staffing efficiencies
- Call center modernization
- Right-sizing revenue control

Board and Stakeholder Engagement



As Metro completes its FY2028 Budget process, the budget becomes more clearly defined with regard to short-term economic conditions and jurisdictional funding expectations as state and local partners also complete their budget processes.



Appendix



FY2028 Service Optimization

Metro's Strategic Transformation Plan calls for frequent, accessible, reliable, and easy-to-use service

- Annualization of service improvements made during FY2027
- Opportunity to advance improvements from the multi-year service plan with adjustments informed by:
 - Ridership
 - Crowding
 - On-time performance
 - Operator feedback
 - Community input
- Subject to funding availability, priority service improvements could include bus capacity improvements to address crowding, better weekend and late-night service, and expansion of the 24/7 bus network – \$15 to 20 million



Metro exploring opportunities to staff more efficiently

Three concepts build on the current unstaffed mezzanine initiative where one entrance does not have a Station Manager present at multi-entrance stations during low-ridership times

Concept 1: Meal Reliefs

- Remove 30-minute meal relief assignments at low-traffic multi-mezzanine stations
 - Start with 6 stations
- Annual Cost Savings: ~\$330K

Concept 2: Expand Initiative

- Expand the current unstaffed mezzanine initiative to an additional 5 stations
 - Focus on 9pm to close daily
- Annual Cost Savings: ~\$260K

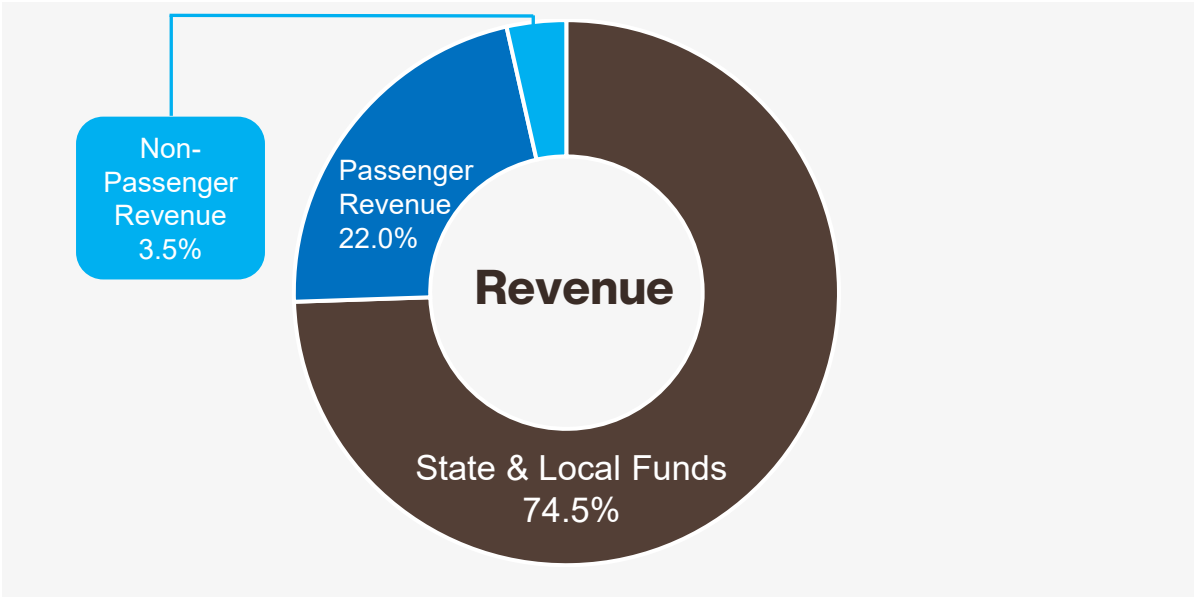
Concept 3: Assistant Runs

- Remove 2 Assistant Station Manager weekday rush-hour assignments at Union Station
- Annual Cost Savings: ~440K

Concepts are not dependent on each other and can be implemented separately or at the same time.



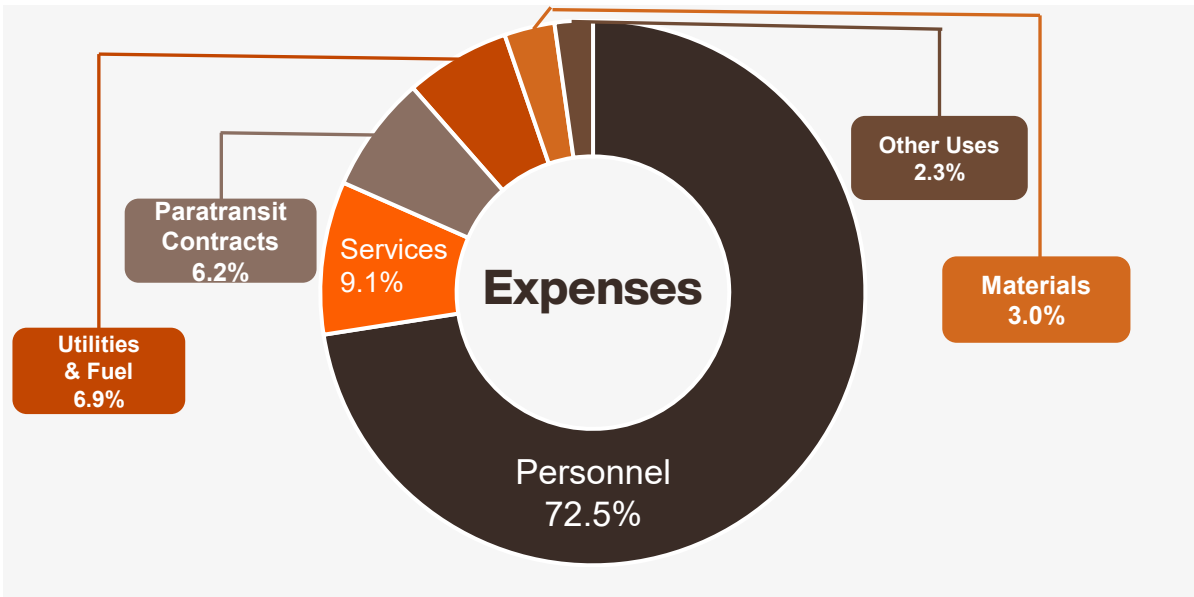
Metro's Primary Sources and Uses of Operating Funds



State and Local Funds: provided by jurisdictional partners

Passenger Revenue: fares and fees paid by customers

Non-Passenger Revenue: advertising concessions, joint development leases, fiber optic leases and other sources



Personnel: salaries, wages, overtime and fringe benefit costs

Services: professional and technical support and contracted maintenance

Paratransit: Metro Access and Abilities-Ride service contracts

Utilities and fuel: electricity to run Metro Rail and motor fuels for Metro Bus and support vehicles

Materials: parts and supplies to maintain the Metro system