Finance and Capital Committee
Board Information Item VI - A
November 19, 2026

FY2028 Operating Budget Update

Board Document

OVERVIEW			
PRESENTATION NAME	FY2028 Operating Budget Update	**DOCUMENT NO.**	300175
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 **[X]Finance & Capital** [ ]Safety & Ops [ ]Board (consent)	**COMMITTEE DATE**	11/19/2026
PURPOSE/KEY HIGHLIGHTS	Provide an update on the FY2028 Operating Budget.		
DISCUSSION	Pressures are converging on Metro's operating and capital budgets. Inflation and reduced subsidy are leaving an operating budget shortfall while the federal continuing resolution may result in $60		

	million less per year. To prevent the significant impacts on system maintenance and improvements, action must be taken by Metro's jurisdictional partners. The FY2028 budget cap is a result of three main factors: Inflation, a lower subsidy from Metro's regional partners, and bus fare evasion. The preliminary FY2028 operating preview anticipates a baseline funding gap of up to $132 million. Operating efficiencies can reduce the gap by $15 million through overtime management, staffing optimization, consolidation of performance monitoring, paratransit call center modernization, revenue collection right-sizing, and merchant services optimization, leaving a likely FY2028 gap of $126 million. Four concepts for the Board's consideration to close the gap include fare increases (generating between $45 million and $100 million), service cuts (generating up to $40 million), capital transfer (between $19 million and $69 million), and an increase in the jurisdictional subsidy. The proposed highest general fare increase of 22 percent would generate an additional $85 million while losing 16 million total trips, while the base increase of 11 percent would generate an additional $45 million and lose 8 million trips. A higher late-night fare cap would generate an additional $7 million while losing up to 2 million trips. The use of capital funding for preventive maintenance is common across the industry. Metro's baseline is $181 million, 3 percent above planned FY2027 levels, and its FY2028 forecast is $200 million. The highest level would be $250 million. The decision to increase capital funding should take into consideration how much capital investment capacity should be preserved outside of preventive maintenance. Major service cuts to Metro's service would reduce its usefulness to customers and risk reversing positive ridership momentum. Current reduction concepts include cutting frequency on 13 high-ridership bus routes, generating $12.1 million net budget savings, while also eliminating 10 low-ridership routes, generating $24.9 million net budget savings, and the 17-route 24-hour bus network, generating $5.5 million net budget savings. Rail service cuts would include reduced weekday and daytime service on the Blue, Orange and Silver lines, generating $15.2 million net budget savings; turnbacks

	at Grosvenor and Silver Spring on half of Red Line trains, generating $6.7 million net budget savings; the elimination of Yellow Line service north of Mt Vernon Square, generating $10.3 million net budget savings; and a systemwide reduction in weekend operating hours, generating $5 million net budget savings. Preliminary concepts to align Metro Access with FTA-required minimums where Metro currently exceeds them include the elimination of grandfathered areas, saving under $1 million; matching fixed-route trips for service hours, saving $1 million; and conditional eligibility enforced by customer's disability, saving less than $0.5 million, although the ridership effect has not yet been estimated.
INTERESTED PARTIES	No interested parties identified.
RECOMMENDATION/NEXT STEPS	Metro's FY2028 budget will become more clearly defined regarding short-term economic conditions and jurisdictional funding expectations as state and local partners complete their budget processes.
FUNDING IMPACT	These preliminary estimates will continue to be revised as development of the FY2028 budget progresses and the GM & CEO Proposed Budget is presented to the Board in December.

FY2028 Operating Budget Update

Finance and Capital Committee

Washington Metropolitan Area Transit Authority

November 19, 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**

FY2028 Budget Development Context

- **October Budget Outlook:** Reviewed key FY27 and FY28 cost pressures and what changed since April budget approval
- **Wages and pension:** Collective bargaining agreement (CBA) cost-of-living adjustment put wage and pension costs $16M above FY27 budget estimates and will affect FY28
  - FY28 general wage increases will exceed 3% for the majority of Metro's workforce due to CBA requirements
- **Fuel and electricity:** Diesel, compressed natural gas, and propulsion electricity costs are expected to grow with market prices that exceed general inflation
- **Paratransit:** Contractor rates, usage, and call center expenses continue to grow
- **Preventive maintenance:** Initial scenario included $150M in operating costs funded by capital
- **Revenue outlook:**
  - Ridership and revenue keep growing, although the pace of that growth is slowing
  - October outlook presentation examined an 11% fare increase option that would yield $45M
- **Initial operating gap:** Forecasted gap updated to reflect FY27 Q1 results

Metro Approaching Fiscal Cliff

Three pressures converge on Metro's operating and capital budgets

1

Operating shortfall

Inflation and reduced subsidy leave an operating budget shortfall.

2

DMV action needed

Jurisdictional partners need to act to prevent significant impacts to system maintenance, improvements, and service.

3

Federal risk

Continuing resolution may result in $60M less per year in formula funding.

We need action.

Financial Pressures on Operating Budget

KEY DRIVERS OF THE FY28 GAP

Inflation
Labor, energy and paratransit

+$118M

Higher cost of providing service

Wages rising above 3% and energy prices (+20.4%[1]; diesel +69.9%[2]) drive the increase. MetroAccess continues trend of 10% annual growth.

Lower subsidy
Regional contributions fell short

$23M

FY2027 subsidy grew 1.8% vs. 3% regional target

Jurisdictional subsidy for the District, Maryland, and Virginia were $23M under planned 3% levels, and the shortfall carries into FY28.

OTHER STRUCTURAL ISSUE

Bus fare evasion
Unpaid trips on Metro Bus

$57M

Revenue lost each year

Despite recent progress, majority of Metro Bus trips are unpaid. Further compliance gains challenged by varying fare evasion penalties across the District, Maryland and Virginia.

[1] BLS CPI energy index, September 2026 vs. September 2025 (latest 12-month change available).
[2] BTS Motor Fuel Prices, October 2026 vs. October 2025.
[3] Compared to FY2019 fare recovery rates

Updated Baseline FY2028 Operating Forecast

$ in M	Preview
Total Revenue	$684
Total Gross Expenses	3,002
Expenses Less Revenue	**$2,318**
Capital Transfer (PM)	$181
Jurisdictional Subsidy	**$2,006**
Gap	**($132)**

FY2027 amount + 3%, before fare increase

FY2027 proposed amendment + 3%

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

Additional Management Efficiencies Save $15M

Overtime management
Strengthen scheduling and oversight to reduce avoidable overtime without compromising safety or reliability.

Operations staff deployment
Align staffing and assignments to service demand and make better use of employee hours.

Consolidate performance monitoring
In-source Metro Access performance monitoring and consolidate with Metro Bus and Metro Rail team

Administrative personnel optimization
Closely manage administrative staffing levels and consolidate overlapping responsibilities to reduce duplication.

Paratransit call center modernization
Expand self-service options to resolve requests faster and reduce repeat contacts.

Revenue collection right-sizing
Align cash-collection frequency and staffing to demand as contactless payment grows.

Merchant services optimization
Optimize payment processing and merchant-service contracts to reduce fees and improve net revenue.

AI digitalization process improvements
Use AI and digital tools to accelerate routine tasks and reduce manual processing across administrative workflows.

FY2028 Likely Budget Gap

BASELINE GAP — **Up to $132M**

less

MANAGEMENT EFFICIENCIES — **– $15M**

FY2028 OPERATING GAP

$117M

Concepts for Board consideration

Fare Increases

$45M – 100M

Service cuts

Up to $40M

Higher capital transfer (PM)

$19M – 69M

Increase jurisdictional subsidy

Fare Increase Concepts

Fare lever	FY27 Level	Low	Medium	High
General fare increase	$2.25 to $6.75	11% increase: $2.50 to $7.50 **+$45M** *Ridership loss: -8M trips*	16% increase: $2.60 to $7.75 **+$60M** *Ridership loss: -11M trips*	22% increase: $2.75 to $8.25 **+$85M** *Ridership loss: -16M trips*
Weekend and Late Night	$2.25 to $2.50	11% increase: $2.50 to $2.80 **Included above** *Ridership: included above*	Higher cap: $2.50 to $3.75 **+$7M** *Ridership loss: up to ~2M trips*	
Paratransit fare cap	$4.50	11% increase to $5.00 **+$0.6M** *Ridership: no change*	33% increase to $6.00 **Up to $1M** *Ridership loss: up to ~33K trips*	67% increase to $7.50 **Up to $1.3M** *Ridership loss: up to ~40K trips*
Abilities-Ride fee general increase	$3.00	11% increase: $3.30 **+$0.5M**	33% increase: $4.00 **+$1.8M**	66% increase: $5.00 **+$3.5M**
Abilities-Ride fee restructure	$3.00 per trip/ unlimited trips	$5.00/trip for first 5 weekly trips; $8.00 after **In progress**		
Parking fee		New parking pricing structure Rider: $3/5/7 | Non-Rider: $10 **+$2.3M, +1.1M trips**	Higher parking pricing Rider: $4/4.50/9.00 | Non-Rider: $11 **+$3.1M, +0.6M trips**	

Capital Funding: Base Case and Higher Levels

	FY27 Level	Lower	Higher
Preventive maintenance funding from capital	$181M **Included in baseline** *FY27 levels + 3%*	$200M **+$19M above base** *Metro's FY28 forecast*	$250M **+$69M above base** *Highest funding level*

Common across the industry

Use of capital funding for preventive maintenance is common across industry and an eligible use of federal formula funds.

How much capital to preserve?

How much capital investment capacity should be preserved outside of preventive maintenance?

FY2028 Service Cut Concepts

Major service cuts reduce usefulness of network for customers, risk reversing positive ridership momentum

Metro Bus

13 routes	Cut frequency on high ridership routes
17 routes	Eliminate 24-hour network
10 routes	Eliminate lower ridership routes

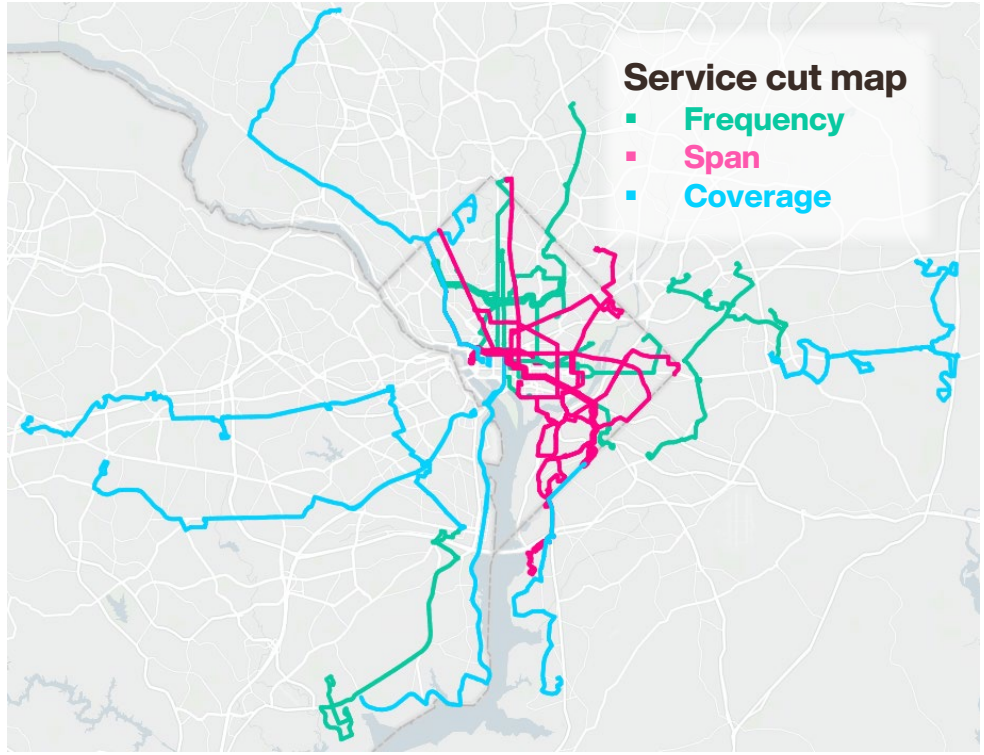
Metro Rail

O S B	| Reduce weekday and weekend daytime service
R	| Turnback half of trains at Grosvenor and Silver Spring
Y	| Eliminate service north of Mt Vernon Square
System	| Reduce weekend operating hours

FY2028 Bus Service Cut Concepts

Concepts range from lower frequency on busy routes to no overnight service and lost network coverage

Frequency	Span	Coverage
Cut frequency on high ridership routes	**Eliminate 24-hour network**	**Eliminate lower ridership routes**
13 routes	**17** routes	**10** routes
• Reduce service from every 12-20 minutes to every 15-40 minutes • More crowding • Less useful service • Reduced ridership	• Eliminate overnight service from 2-4 am • Less support for late night economy and workers • Reduced ridership	• Loss of transit access in affected areas • Reduced ridership



FY2028 Bus Service Cut Concepts Summary

	Bus reduction options	Ridership reduction	Customer trips negatively impacted	Op. cost savings	Net budget savings
Frequency	**Cut frequency on high ridership routes** C43, C61, D1X, D24, D30, D50, D60, D72, D74, F1X, M6X, P41, P60	**1.6M**	**15.6M**	**$13M**	**$12.1M**
Span	**Eliminate 24-hour network** **No service 2 to 4 am** C11, C13, C21, C31, C41, C53, C61, D10, D20, D30, D32, D40, D50, D60, D70, D74, D80	**0.94M**	**0.94M**	**$6M**	**$5.5M**
Coverage	**Eliminate lower ridership routes** A71, C83, D82, F19, F29, F61, M82, P72, P73, P97	**2.1M**	**2.1M**	**$26M**	**$24.9M**

FY2028 Rail Service Cut Concepts

Concepts range from longer headways to implementing turnbacks and reducing weekend hours

Frequency

O S B Weekday daytime ~~10 min~~ → 15 min

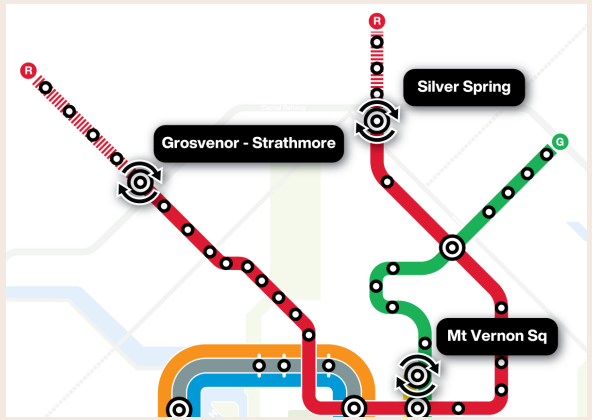
O S B Weekend daytime ~~12 min~~ → 15 min

20%-33% service cut, more crowding, longer waits, less support for special events

Turnbacks

R Half of trains continue beyond Grosvenor and Silver Spring

Y No service north of Mt Vernon Sq



50% service cut past Red Line turnbacks, 33% cut past Yellow Line turnbacks; reduce connectivity to airport

Span

System opens at 7am and closes at 1 am on weekends

Friday 5am-~~2am~~ 1am

Saturday ~~6am~~-~~2am~~ 7am 1am

Sunday ~~6am~~-12am 7am

3 4 5 6 7 8 9 10 11 12 1 2 3 4 5 6 7 8 9 10 11 12 1 2 3
PM AM

100% service cut during impacted hours, less support for late night economy & special events, reduced access to airports

FY2028 Rail Service Cut Concepts Summary

	Rail reduction options	Ridership reduction	Customer trips negatively impacted	Op. cost savings	Net budget savings
Frequency	O S B Reduce weekday daytime headways to 15 min from 10 min Reduce weekend daytime headways to 15 min from 12 min	2.61M	43.4M	$24.7M	$15.2M
Turnbacks	R Turnback half of trains at Grosvenor and Silver Spring	1.30M	13.4M	$12.7M	$6.7M
	Y Eliminate service north of Mt Vernon Square	0.41M	19.6M	$11.5M	$10.3M
Span	Weekend system open at 7 am and close at 1 am Shorten weekend service span by 2 hours	0.81M	2.0M	$6.9M	$5.0M

Due to high fixed costs and more offsetting revenue loss, much larger Rail cuts are needed to achieve similar budget savings as Bus cuts

Paratransit Service Standards

Concepts to align MetroAccess with FTA standards where Metro currently exceeds them

Concept	Current Level	FTA Standard	Implementation
1) Paratransit service area Eliminate legacy areas	Legacy areas extend beyond the FTA-required ¾ mile fixed-route radius	**<$1M savings** Service area limited to FTA-required minimum *Ridership loss: not yet estimated*	**Implementable for FY28**
2) Paratransit service hours Match fixed-route trips	MetroAccess hours not limited to equivalent fixed-route trips *Currently: system-wide MetroAccess service areas*	**$1M savings** Service hours limited to equivalent fixed-route trips *Trips shifted to fixed route: 25K–100K*	**Implementable for FY28** • Dependent on software • Trip consolidation could improve productivity per service hour
3) Conditional eligibility Enforce by customer's disability *Majority of Metro Access customers have a disability that would make them eligible under FTA standards only for certain trips or under certain conditions*	MetroAccess available even when a customer's disability allows fixed-route use	**<$0.5M savings** No MetroAccess in hours when disability allows fixed-route use *Ridership loss: not yet estimated*	**Potential to phase in after July 1, 2027** • Dependent on software and personnel • May result in more customer disputes

Board and Stakeholder Engagement

October

OUTLOOK

Develop Assumptions, Model Prep, and Departmental Discussions
Capital Workshop

November

PRELIMINARY

Additional Budget Review

FY27 Q1 Update

Budget Amendment

December

PROPOSAL

GM/CEO Proposed Budget Submitted

February

HEARINGS

Board Discussions, Public Hearings, and Outreach

April

ADOPTION

Board Budget Adoption

May

APPLICATIONS

Submit Federal Grant Applications

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

Metro Approaching Fiscal Cliff

Three pressures converge on Metro's operating and capital budgets

1

Operating shortfall

Inflation and reduced subsidy leave an operating budget shortfall.

2

DMV action needed

Jurisdictional partners need to act to prevent significant impacts to system maintenance, improvements, and service.

3

Federal risk

Continuing resolution may result in $60M less per year in formula funding.

We need action.

Appendix

FY2028 Service Cut Concepts

Service cut options of varying scope are in development

Service cut options	Customer impact
Reduce service frequency on certain routes and time periods	Longer waits, less travel flexibility and potentially more crowded conditions
Adjust service patterns through train turnbacks	Less frequent service and longer waits, fewer one-seat trips
Eliminate lower ridership bus routes	Loss of direct service, additional transfers, longer travel time
Reduce service span: eliminate bus 24-hour network, shorten weekend rail hours to 7am-1am	Reduced availability for early morning and late-night trips

Service reductions do not translate dollar-for-dollar into budget savings

Facilities, assets and maintenance costs remain even as service declines.



~4%
Less rail service

~1%
Rail budget savings



~1.5%
Less bus service

~1%
Bus budget savings

Illustrative relationship based on each mode's budget; actual savings depend on the mix and timing of reductions

Service reductions are expected to lower ridership and fare revenue, partially offsetting budget savings

FY2028 Bus Service Cut Concepts - Details

Juris-diction	Route	Proposal	Reduce Frequency	Eliminate 24/7 Network	Eliminate Lower Ridership Routes
ALL	All routes	Cut all service 2am to 4am		X	
VA	A71	Eliminate route			X
	F1X	Decrease frequency from 15 to 20 mins peak and 20 to 24 mins off-peak	X		
	F19	Eliminate route			X
	F29	Eliminate route			X
	F61	Eliminate route			X
DC	C43	Decrease frequency from 30 to 40-mins off-peak*	X		
	C61	Decrease frequency from 12 to 15 mins, removing route from FSN	X		
	C83	Eliminate route			X
	D1X	Decrease frequency from 20 to 24 mins off peak	X		
	D24	Decrease frequency from 20 to 30-mins off-peak*	X		
	D30	Decrease frequency from 15 to 20-mins off-peak	X		
	D50	Decrease frequency from 12 to 15-mins, removing route from FSN*	X		
	D60	Decrease frequency from 10 to 12 mins peak, 12 to 16 mins off-peak, 15 to 20 mins Saturdays and 20 to 30 mins Sundays	X		
	D72	Decrease frequency from 6 to 9 mins peak, 12 to 15 mins off-peak and 15 to 20 mins weekends	X		
	D74	Decrease frequency from 15 to 20-mins*	X		
	D82	Eliminate route			X
MD	M6X	Decrease frequency from 15 to 24 mins	X		
	M82	Eliminate route			X
	P41	Decrease frequency from 20 to 30 mins	X		
	P60	Decrease frequency from 12 to 15 mins, removing route from FSN	X		
	P72	Eliminate route			X
	P73	Eliminate route			X
	P97	Eliminate route			X

*These roll back June 2026 or December 2026 improvements

Fixed Costs Limit Savings from Service Cuts

Structural factors affect transit operating costs and productivity

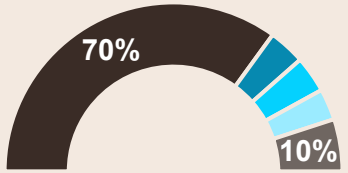
Variable Costs can and do vary with service levels

Includes staffing and resource costs of providing service, including the number of rail and bus operators and hours worked, fuel or power for vehicles, and maintenance for daily upkeep

Fixed Costs do not vary with changes in service levels or fares, but can change for other reasons

Includes ongoing and consistent repair and replacement of assets that make up the region's investment in the transit network, such as vehicles, stations, garages, and rail tracks

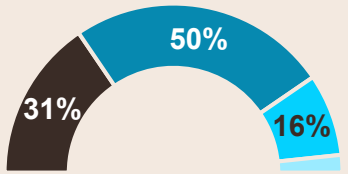
Also includes support and customer services transit agencies provide regardless of service levels, such as police /safety services and information technology (IT)



Metrorail

- Fixed Costs
- Railcar Maintenance (7%)
- Rail Operators (7%)
- Traction Energy (6%)
- Other Variable (10%)

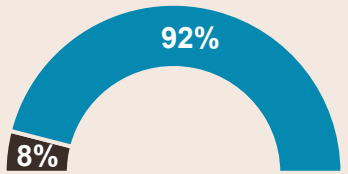
COMET industry avg **70% fixed | 30% variable**



Metrobus

- Fixed Costs
- Bus Operators (50%)
- Bus Maintenance (16%)
- Fuel (3%)

COMET industry avg **28% fixed | 72% variable**



MetroAccess

- Fixed Costs
- Variable Costs

Federally-mandated service

WMATA's fixed costs are comparable to peers

Use of capital funding for preventive maintenance is common across industry; Metro forecasts $181M in FY28

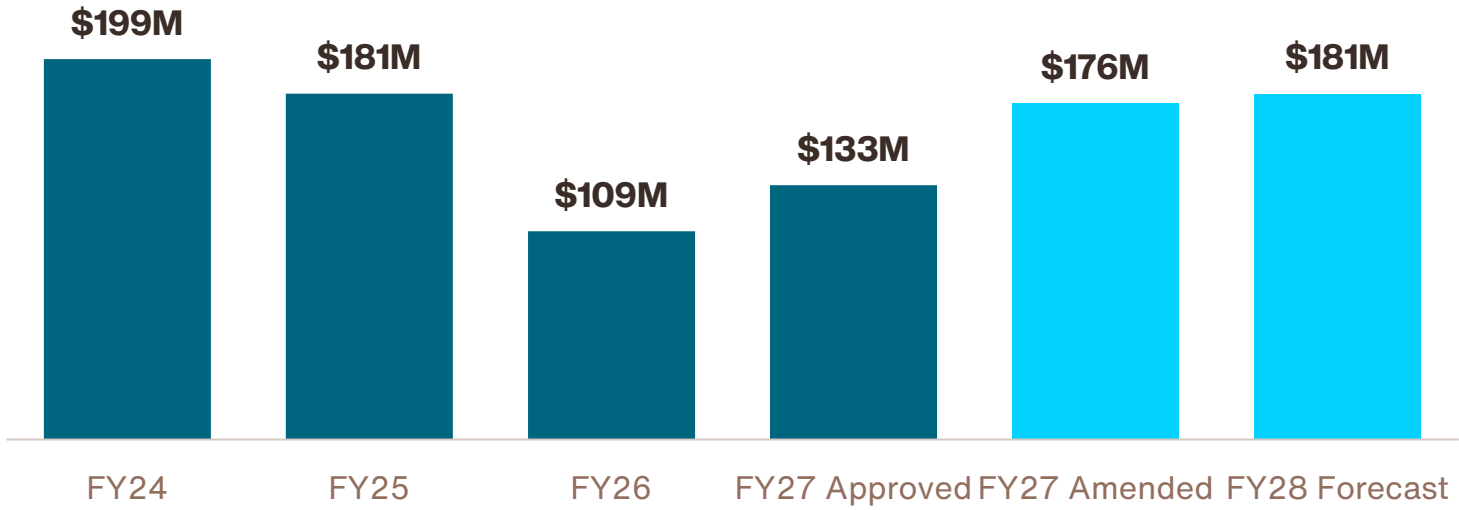
PREVENTIVE MAINTENANCE (PM): KEEPING METRO SAFE AND RELIABLE

Scheduled inspections, servicing and repairs that keep trains, buses and track safe and reliable and prevent costly breakdowns.

WHAT IS THE PREVENTIVE MAINTENACE TRANSFER?

Capital funds can cover part of the maintenance costs that the operating budget incurs, up to a cap the Board sets each year. A larger transfer relieves the operating gap but leaves less money for capital projects.

Board cap on preventive maintenance transfers



FEDERAL POLICY

The Federal Transit Administration treats preventive maintenance as an eligible capital cost reimbursable by formula grants (Section 5307), generally at an 80% federal share.