



Finance and Capital Committee

Information Item III-A

September 25, 2025

FY2027 Operating Budget Preview

OVERVIEW			
PRESENTATION NAME	FY2027 Operating Budget Preview	DOCUMENT NO.	300063
ACTION OR INFORMATION	Information		
STP GOAL	Financial Stewardship and Resource Management		
RESOLUTION	No		
EXECUTIVE OWNER			
EXECUTIVE TEAM OWNER	Olumide, Yetunde		
DEPARTMENT	Finance		
DOCUMENT INITIATOR	Bridges, Cheryl L.		
OTHER INFORMATION			
COMMITTEE	FCC	COMMITTEE DATE	9/25/2025
PURPOSE/KEY HIGHLIGHTS	To provide the Board of Directors with an overview of budget revenue and expense drivers and the framework for the FY2027 Operating Budget.		
DISCUSSION	<p>Recent accomplishments across ridership, customer satisfaction, crime abatement and fare evasion are very encouraging as Metro approaches the end of the first of quarter of FY2026 and begins to develop the FY2027 Budget. Ridership grew 16 percent and passenger revenue 19 percent from FY2024 to FY2025.</p> <p>Development of the annual budget begins immediately following adoption of the previous year's budget. Staff will prepare the FY2027 budget and a two-year forecast for FY2028 and FY2029. The two-year forecast will be for planning purposes and will not require formal adoption by the Board, nor will it be included in the FY2027 Budget Compact Public Hearings. Multiyear financial planning is an industry best practice and will better align WMATA</p>		

with its transit peers and standards established by the Government Finance Officers Association (GFOA).

The operating budget framework is based on continuing to drive efficiencies and growing revenue which will be used to fund service optimization, initiatives, and reducing the operating budget's reliance on capital funds for preventive maintenance activities.

Savings and Efficiencies under consideration for FY2027 include:

- Additional scheduling efficiencies made possible by the return to Automatic Train Operations (ATO)
- Savings from bus schedule optimization
- Vacancy management to realign underutilized positions
- Improvements in ridership

Revenue drivers include building on the ridership strength of year-end FY2025 results, planning to keep fares at current levels in FY2027 while projecting an increase in FY2028 to all modes, continuing to focus on improving fare recovery. The non-passenger revenue outlook will take into consideration parking increases based on the strong growth in rail ridership, Metro's Strategic Plan for Joint Development, advertising sales, other revenues.

Expense drivers include mandated general wage increases and benefits from collective bargaining agreements, vacancy management, inflation, and energy markets. Annual expenses will be managed to keep total subsidy growth of three percent allocated based on the board adopted subsidy formulae.

Staff are currently assessing various concepts to optimize service within available resources. Service optimization for bus includes adding capacity, increasing frequency, and improving on-time bus performance. For rail, adding peak capacity to mitigate crowding on the Red, Orange, and Silver lines and more efficient rail operations through Automatic Train Operation are priorities. Savings will also be used to fund initiatives that enhance organizational development and modernize our digital infrastructure. Finally, savings can be applied to reduce our reliance on capital resources.

Metro is committed to financial sustainability and transparency and is presenting a two-year forecast in addition to its FY2027 Budget. The FY2028 and FY2029 forecast will incorporate multiyear economic outlook assumptions to include inflation, other macroeconomic trends, ridership and revenue estimates, and

	<p>assumptions for wages, fringe benefits, and professional services contracts.</p> <p>FY2028 will include illustrative fare increases in keeping with a cadence of proposing fare increases every three years. For planning purposes, Metro anticipates a three percent increase in the jurisdictional subsidy consistent with previous years.</p>
INTERESTED PARTIES	No interested parties identified.
RECOMMENDATION/NEXT STEPS	An update on development of the FY2027 Operating Budget and six-year Capital Improvement Program (CIP) will be presented at the November board meeting.
FUNDING IMPACT	No funding impact from this presentation.

FY2027 Operating Budget Preview



Finance and Capital Committee

Washington Metropolitan Area Transit Authority

September 25, 2025

FY2027 Budget Planning Overview – Key Factors

Operating Budget plus **2-year** forecast

Annual Expense and Subsidy Growth of **3%**

Maintain current fares in FY2027, increase in FY2028

Improved Ridership and Revenue Outlook

Less Use of Preventive Maintenance Capital Funds



FY2027 Key Operating Savings & Reinvestments

Efficiencies and Revenue

Automatic Train Operations

Additional scheduling efficiencies from return to ATO

Bus Efficiencies

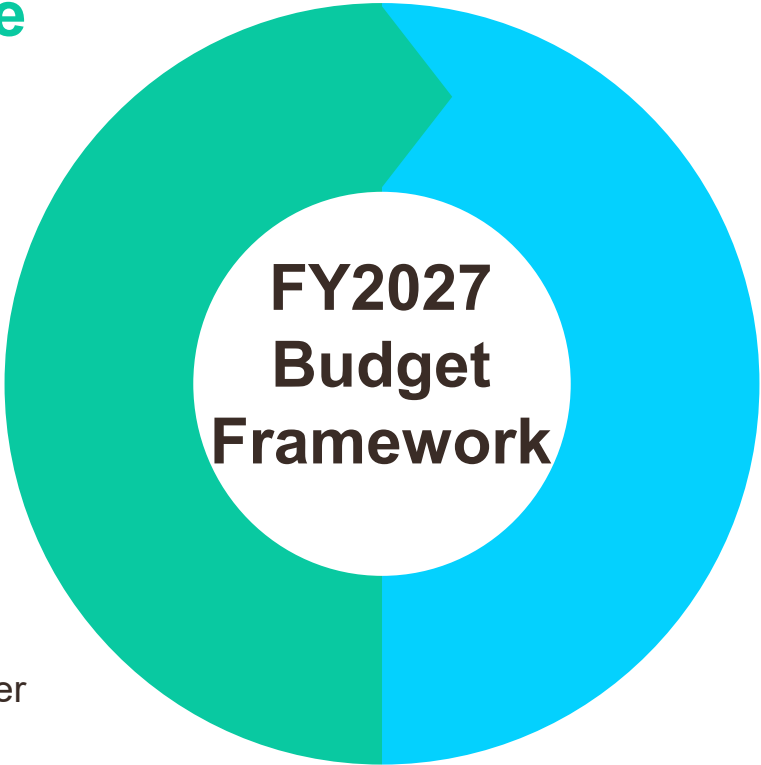
Savings from optimizing bus schedules

Vacancy Management

Reduce positions to align staff with operational priorities

Improved Ridership

Stronger than anticipated growth driving higher revenue



Reinvestments

Service Optimization

Address crowding and enhance all-day Metrorail service, improve Metrobus frequency, span, and coverage

Initiatives

Enhance organizational development and digital modernization

Preventive Maintenance

Reduce reliance on capital resources to fund operating expenses



Operating Revenue Drivers

Passenger



Ridership

- Build on strength of year-end FY2025 results

Fare Evasion

- Metrobus fare recovery and enhanced enforcement

Service Levels

- Optimize service to grow ridership

Fare Policy

- No change to fares in FY2027; inflation-based fare increases across all modes projected in FY2028

Non-Passenger



Parking

- Aligned with updated rail ridership trends

Real Estate/Joint Development

- Execute Strategic Plan for Joint Development

Advertising

- Annual revenues based on advertising sales

Fiber Optic

- Extend and maintain current agreements

Assumptions subject to change

Operating Expense Drivers

Personnel



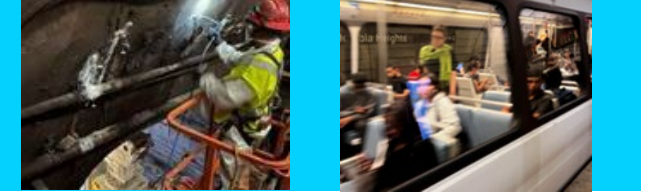
Collective Bargaining Agreements (CBA)

- Mandated general wage increases and benefits
- Upcoming CBA negotiations for Special Police

Vacancy Management

- Provide cost control and align staff with operational priorities

Non-Personnel



Inflation

- Inflation outlook of 3.0% in FY2027 and 2.8% in FY2028 for non-personnel expenses

Energy

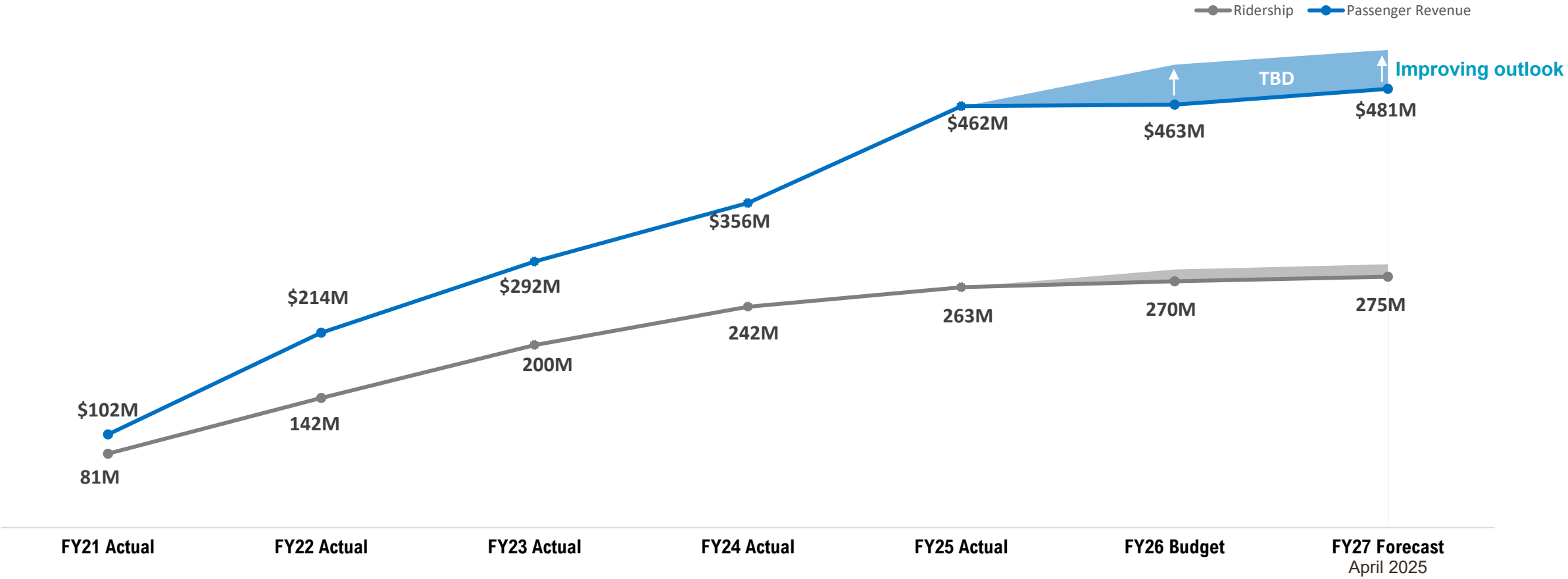
- Diesel and compressed natural gas based on projected service levels and rates
- Electricity expense growth due to increased rates and service requirements

Paratransit

- Continue trend of promoting lower-cost alternative providers

Assumptions subject to change

Ridership Outlook Improving from FY2026 Budget Levels



Potential FY2027 Service Optimization Concepts



Metrobus

- **More efficient bus operations** through schedule optimization
- **Add capacity and improve on-time performance** to address emerging crowding and reliability issues
- **Increase frequency** to drive ridership and improve customer experience
- **Enhance span and coverage** to key routes to provide more consistent service



Metrorail

- **More efficient rail operations** through train length optimization and Automatic Train Operation
- **Add peak capacity** to mitigate crowding on the Red, Orange and Silver Lines
- **Better all-day service** to improve network usefulness for trips across the week and support major destinations with more frequent service

MetroAccess: Service area remains at FY2026 levels

Key Budget Milestones

