



Finance and Capital Committee

Information Item III-B

March 27, 2025

FY2026 Budget Update



Board Document

OVERVIEW			
PRESENTATION NAME	FY2026 Budget Update	DOCUMENT NO.	300025
ACTION OR INFORMATION	Information		
STP GOAL	The Operating and Capital Budgets advance all goals of the Strategic Transformation Plan		
RESOLUTION	No		
EXECUTIVE OWNER			
EXECUTIVE TEAM OWNER	Olumide, Yetunde		
DEPARTMENT	Finance		
DOCUMENT INITIATOR	Bridges, Cheryl L.		
OTHER INFORMATION			
COMMITTEE	FCC	COMMITTEE DATE	3/27/2025
PURPOSE/KEY HIGHLIGHTS	The FY2026 Budget Update advances all Strategic Transformation Plan goals. Staff will present how the FY2026 Budget continues to drive ridership, modernization, and efficiencies.		
DISCUSSION	<p>Metro can achieve savings through efficiencies in bus scheduling and fleet management, generating approximately \$6 million in savings. The Better Bus Network Redesign aims to optimize service delivery, reducing peak bus requirements and deadhead time while enhancing operational efficiency. As part of this initiative, Year One of the Better Bus Network will introduce 11 additional routes in the Frequent Service Network, create new connections to transit stations, jobs, and other key destinations, and expand midday, evening, and weekend service. Additionally, Metro will decommission older, less reliable buses, leading to lower maintenance costs and improved service reliability.</p> <p>For rail service, Metro could reduce staffing and defer planned service increases, resulting in cost reductions of approximately \$2.5</p>		



Board Document

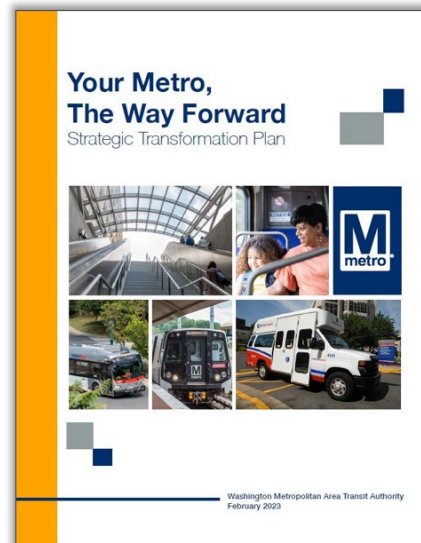
	<p>million. These adjustments include reducing station entrance staffing at five stations with multiple entrances during late nights and weekends, as well as deferring the extension of 50 percent of Yellow Line trains to Greenbelt until December 2025. Additionally, Metro will open earlier on weekend mornings and close later on weekend nights to accommodate customer demand.</p> <p>No fare changes are proposed for FY2026; however, Metro is introducing open payment options, allowing customers to tap to ride using contactless credit or debit cards and mobile devices with no fee. This transition to contactless payment systems will reduce expenses associated with cash handling and processing, further streamlining operations. Additionally, MetroAccess will continue to operate without any reductions in service areas.</p> <p>Beyond service adjustments, Metro is identifying non-service-related efficiencies expected to generate approximately \$10 million in additional savings. These efforts focus on administrative modernization to improve efficiency and reduce costs without impacting service. Metro is modernizing its technology infrastructure by improving mobile device management, integrating enterprise software systems, and implementing new technology solutions to enhance efficiency. Additionally, Metro is enhancing inventory and supply chain management through in-house training, consolidating consulting services, and optimizing asset management, all of which will help reduce costs and improve administrative efficiency.</p> <p>In total, these potential cost reduction measures amount to \$20 million in expense reductions, with a net budget subsidy impact of \$19 million, reducing Metro’s original jurisdictional subsidy from \$1,924 million to \$1,906 million before debt service.</p>
INTERESTED PARTIES	No interested parties identified.
RECOMMENDATION/NEXT STEPS	Staff will seek the following Board approval in April: <ul style="list-style-type: none">• Recommended FY2026 Budget and FY2026-2031 Capital Improvement Program
FUNDING IMPACT	Pending Board approval in April, the changes would reduce Metro's FY2026 Total Net Subsidy/Budget by \$19 million from Proposed FY2026 levels.

FY2026 Budget Update

Finance and Capital Committee



Strategic Transformation Plan: Guides long term strategy and day-to-day decision making of Metro over the next five + years



Guiding



Day-to-day decisions

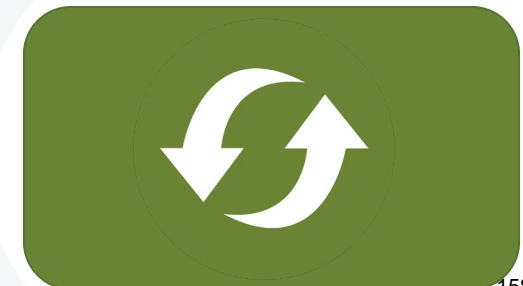
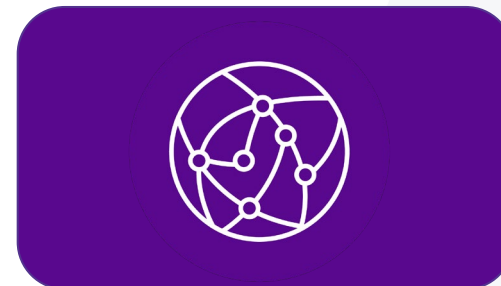
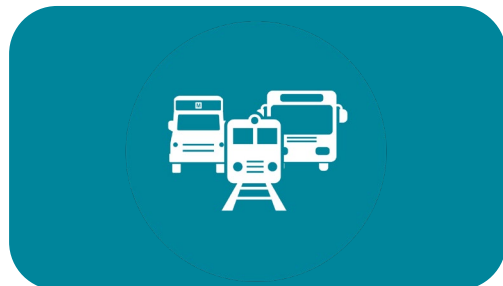
- Customer interactions
- Service schedules
- Communications



Long-term strategy

- Budget allocation
- Capital improvements
- Priority projects

Goals — Our priorities to achieve the vision



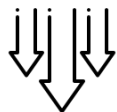
FY2026 Budget Continues to Drive Ridership, Modernization, and Efficiencies



December 2024 – GM/CEO presented Proposed Budget to the Board that included rail optimization, Better Bus Network Redesign, and a restructured subsidy allocation



February 2025 – Revenue outlook increased based on ridership trends and return-to-office mandates, reducing reliance on capital funds for operating costs



March 2025 – Additional efficiencies identified to lower operating costs and jurisdictional subsidies in response to regional economic outlook

Revised FY2026 Budget Recommendation

FY2026 Budget Update

(\$ in millions)	Net Subsidy Impact
Bus Scheduling and Fleet Efficiencies	-\$6.0
Station Entrance Staffing	-\$0.7
Defer Yellow Line to Greenbelt until December	-\$1.8
Efficiency Savings from Modernization Investments	-\$10.0
Total	-\$18.5

Bus Service Scheduling Efficiency and Fleet Reduction

- Apply savings from more efficient scheduling of redesigned network using new scheduling software; reduced peak bus requirement and reduced bus deadhead time

Station Staffing

- Reduce staff at 5 stations with multiple entrances during low ridership late nights and weekends

Defer Yellow Line Service Change

- Begin extension of 50% of Yellow Line trains to Greenbelt in December 2025

Additional Modernization Investments to Increase Efficiency and Reduce Cost that do not Impact Service

- Targeted cost reductions and efficiencies totaling \$10M include:
 - Technology Modernization
 - Cash Collection Modernization
 - Inventory and Supply Chain Modernization

Note: Amounts may not sum due to independent rounding.

Service and Fare Optimization

Metro will optimize service within available funding for FY2026



Metrobus

- Implement the Year One Better Bus Network
 - 11 more routes in the Frequent Service Network
 - New connections to transit stations, jobs and other key destinations
 - Increased midday, evening, and weekend service



Metrorail

- Add peak capacity to address ridership growth
- Extend half of Yellow Line trains to Greenbelt
Defer until December
- Open earlier on weekend mornings and close later on weekend late nights



Fares & Fees

- No fare changes proposed in FY2026
- Introduce open payment
 - Tap to ride with contactless credit/debit mobile devices and cards with no fee

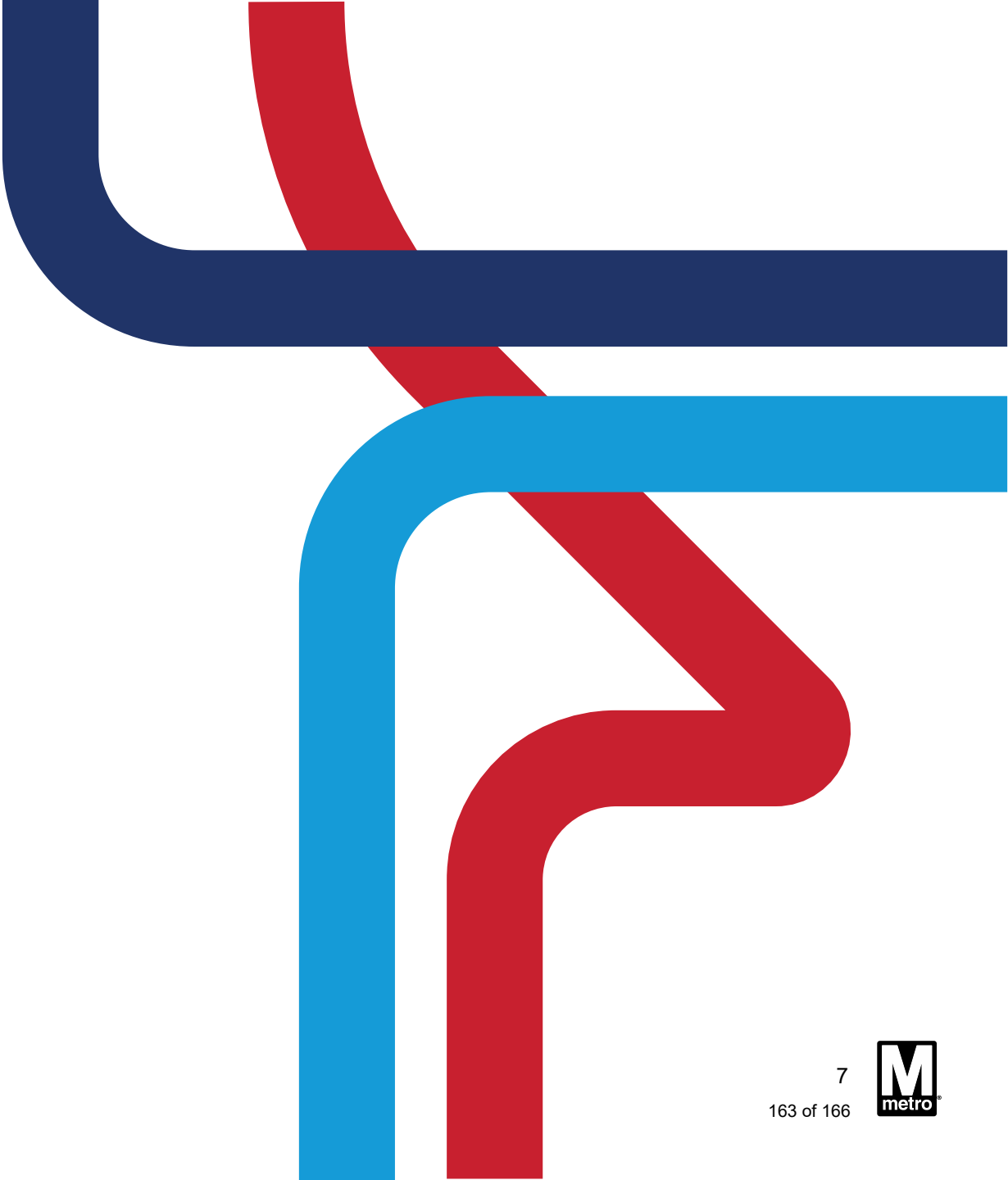
MetroAccess: No reduction in service area

Next Steps

Board approval in April:

- Recommended FY2026 Operating Budget and FY2026–2031 Capital Improvement Program
- FY2026 Budget Public Outreach and Input Report

Appendix



Recommended FY2026 Budget

FY2026 Budget Update

<i>(\$ in millions)</i>	FY2026 Revised (February)	FY2026 Recommended (March)	Variance
Total Revenue	\$565	\$564	-\$1
Gross Expenses	\$2,567	\$2,547	-\$20
PM above \$60M	-\$49	-\$49	\$0
Net Expenses	\$2,518	\$2,498	-\$20
Gross Subsidy	\$1,953	\$1,934	-\$19
Prior Year Savings	-\$28	-\$28	\$0
Net Subsidy	\$1,924	\$1,906	-\$19

Note: Amounts may not sum due to independent rounding;

* Total preventive maintenance transfer in FY26 is \$109M

Recommended FY2026 Budget

FY2026 Budget Update

<i>(\$ in millions)</i>	FY2026 Revised (February)	FY2026 Recommended (March)	FY2027 Forecast
Total Revenue	\$565	\$564	\$583
Gross Expenses	\$2,567	\$2,547	\$2,618
PM above \$60M	-\$49	-\$49	-\$73
Net Expenses	\$2,518	\$2,498	\$2,545
Gross Subsidy	\$1,953	\$1,934	\$1,963
Prior Year Savings	-\$28	-\$28	\$0
Net Subsidy	\$1,924	\$1,906	\$1,963

Notes:

* Amounts may not sum due to independent rounding

* Total preventive maintenance transfer in FY26 and FY27 is \$109M and \$133M, respectively

FY2026 Jurisdictional Subsidy Changes from February Revised to March Recommended

	FY2026 Revised (February)	FY2026 Recommended (March)	
	Total Operating Subsidy	Total Operating Subsidy	Variance from Revised
District of Columbia	\$744.7	\$737.0	-\$7.7
Montgomery County	\$281.6	\$279.6	-\$2.0
Prince George's County	\$402.8	\$397.5	-\$5.2
Maryland	\$684.3	\$677.1	-\$7.2
City of Alexandria	\$63.6	\$63.1	-\$0.5
Arlington County	\$144.3	\$143.3	-\$1.0
City of Fairfax	\$4.0	\$4.0	\$0.0
Fairfax County	\$242.3	\$240.5	-\$1.8
City of Falls Church	\$4.0	\$3.9	\$0.0
Loudoun County	\$37.1	\$36.9	-\$0.2
Virginia	\$495.3	\$491.7	-\$3.6
TOTAL	\$1,924.4	\$1,905.9	-\$18.5

Note: Amounts exclude debt service

