



Finance and Capital Committee

Information Item IV-A

March 26, 2026

**Virginia Department of Rail and Public Transportation
Operational Analysis**



Board Document

OVERVIEW			
PRESENTATION NAME	DRPT Operational Analysis	DOCUMENT NO.	300112
ACTION OR INFORMATION	Information		
STRATEGIC TRANSFORMATION PLAN GOAL	Financial and Organizational Efficiency		
RESOLUTION	No		
EXECUTIVE OWNER			
EXECUTIVE TEAM OWNER	Ellison, Jennifer		
DEPARTMENT	Board Affairs		
DOCUMENT INITIATOR	Ellison, Jennifer		
OTHER INFORMATION			
COMMITTEE	FCC	COMMITTEE DATE	03/26/2026
PURPOSE/KEY HIGHLIGHTS	WMATA engaged a consultant to conduct a thorough analysis of WMATA's operations and financial status, identifying opportunities for WMATA to realize ongoing cost efficiencies and enhance self-generated revenues with a focus on functions and processes that can be eliminated, restructured, or significantly improved through modernization.		
DISCUSSION	The Virginia FY 2025-2026 biennial budget provided General Fund support for additional operating assistance for WMATA. In accordance with the “WMATA FY 2025 & FY 2026 Virginia State Operating Funding Agreement” between WMATA and the Virginia Department of Rail and Public Transportation (DRPT) for the General Fund support, WMATA's Board of Directors conducted a thorough analysis of Metro operations and financial status. The analysis identified opportunities for WMATA to achieve ongoing cost		



Board Document

	efficiencies and enhance self-generated revenues, thereby substantially closing its operating deficit. The analysis focused on functions and processes that can be eliminated, restructured, or significantly improved through technology (including artificial intelligence), modernization, or automation. The analysis also included a spans and layers analysis of the WMATA organizational structure.
INTERESTED PARTIES	Guidehouse LLC
RECOMMENDATION/NEXT STEPS	The Operational Analysis and Improvement Plan includes potential implementation steps for the recommendations and identifies cost savings and revenue enhancements. The work is intended to be a resource for future decision-making by management and the Board.
FUNDING IMPACT	None

WMATA Operational Assessment



Presentation to the WMATA Board
March 26, 2026

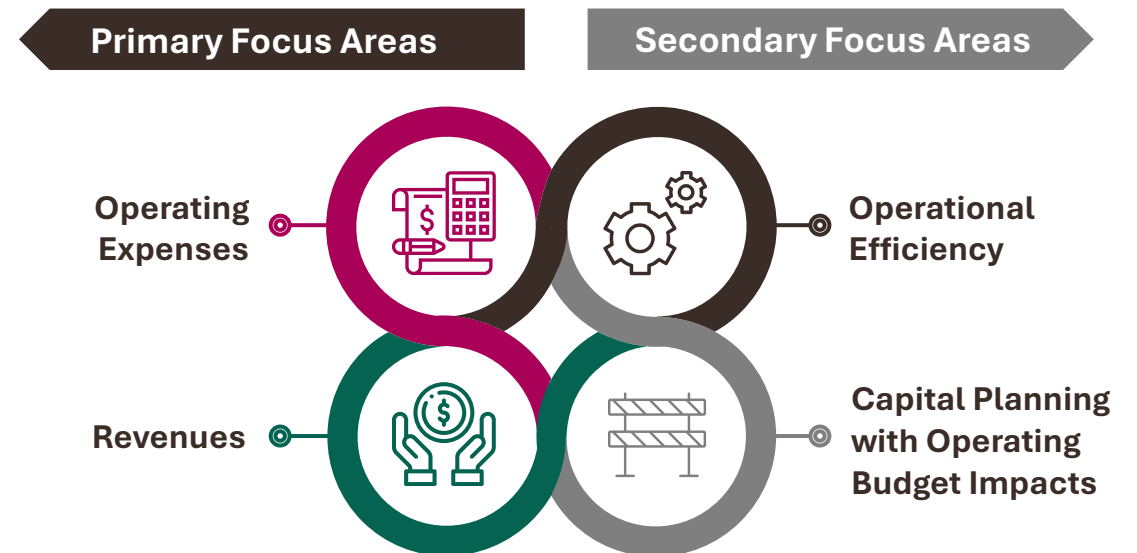
Washington Metropolitan Area Transit Authority &
Guidehouse

To uncover actionable cost-saving opportunities, the WMATA Board commissioned a data-driven, stakeholder-informed assessment of its operating budget

Operational Assessment Objectives

- ✓ **Assess the current state of WMATA's operations** in terms of key cost drivers, revenue streams, and service levels and ridership trends.
- ✓ **Develop data-driven opportunities** using quantitative analysis and benchmarking techniques for containing costs, enhancing revenue, and advancing operational efficiency.
- ✓ **Synthesize opportunities** to guide WMATA's Board and management in making informed decisions.

Primary and Secondary Focus Areas



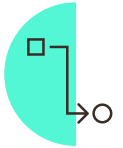
This Operational Assessment is a **focused, actionable assessment** – intended as a **practical tool** to analyze WMATA's operations, budget, and finances and identify opportunities for improvement.

This assessment serves as a living resource for the WMATA Board and management, intended as a starting point for ongoing improvement

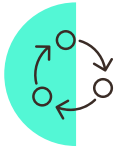
How the Operational Assessment Can Be Used



Reference for Decision-Making: Use this report as a foundation for budget planning, strategic discussions, and ongoing oversight.



Starting Point, Not the Final Word: Treat the assessment as a starting point for deeper dives, follow-up analysis, and continued dialogue.



Support for Board and Management: Return to the findings as new data emerges, policy environments shift, or as new initiatives and investments arise.



Validate and Prioritize: Use the analysis to validate what WMATA is doing well, surface areas for further focus, and prioritize potential initiatives.



Catalyst for Collaboration: Leverage the report to foster ongoing collaboration with stakeholder – ensuring alignment on goals.

The opportunities identified in this assessment are grounded in detailed data and analysis

Operational Analysis Inputs



WMATA's Annual Budget

5+ years of budget data analyzed



In addition to supplying most of the analyzed Operating Budget data, WMATA's Approved Fiscal Year budget documents also provides details on Capital Investment Projects, labor headcounts, service and ridership statistics, and explained business processes and strategies.

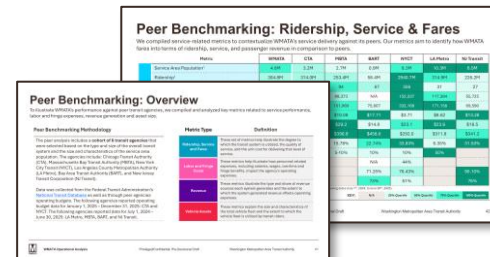
Data and Documentation

100+ documents reviewed

Over 100 other documents provided additional context related to WMATA's decision-making environment. These included presentations, meeting minutes, reports, and articles on transit topics and were sourced from relevant entities such as DMVMoves, Metropolitan Washington COG, NVTC, VA Secretary of Transportation, as well as WMATA itself.

Peer Benchmarking

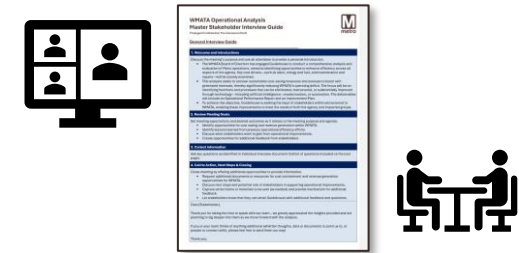
300+ peer datapoints collected



The peer analysis includes a cohort of 6 transit agencies that were selected based on the type and size of the overall transit system and the size and characteristics of the service area population. Data was also collected from the Federal Transit Administration's National Transit Database as well as through peer agencies operating budgets.

Inputs from Partners

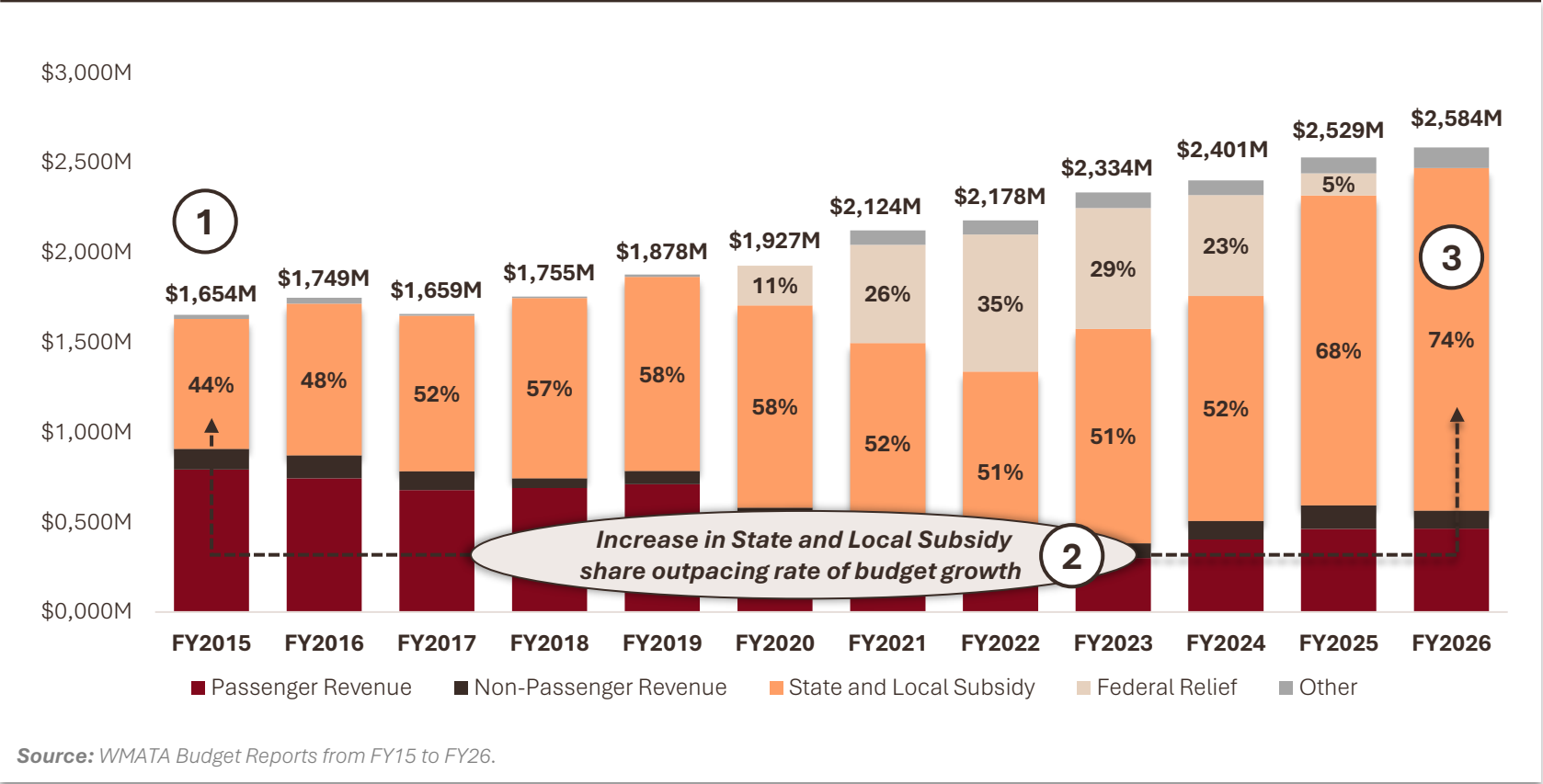
20+ individuals interviewed



This report also draws on information gained from one-on-one interviews with stakeholders both internal and external to WMATA. These interviews provided qualitative insights on organizational strengths, challenges, and opportunities. Stakeholders were also provided an opportunity to share general comments or concerns based on past experiences and initiatives.

In the past decade, WMATA’s operating budget growth has become more reliant on state and local subsidies

WMATA Operating Budget by Source with Federal, State and Local Subsidy as % of Total, FY2015-26^a (not adjusted for inflation^b)



Notes: a) “Actual” values were used where available, and “Budget” values were used in FY25 and FY26 where not available; b) WMATA’s budget from FY15 through FY26 grew at a CAGR of 1.3% above inflation; c) “Other” category includes debt service, prior year savings, and reimbursable funds. These categories were not included in the total operating budget for the detailed analysis and recommendations; as such, total operating budget in the above graph is higher than operating budget listed in other sections of this report.

Key Takeaways

1

WMATA’s **annual operating budget** from FY2015-FY2026 grew at a compound annual growth rate (CAGR) of **4.1%**.

2

Over that same period, **state and local subsidies** saw a CAGR of **9.2%**.

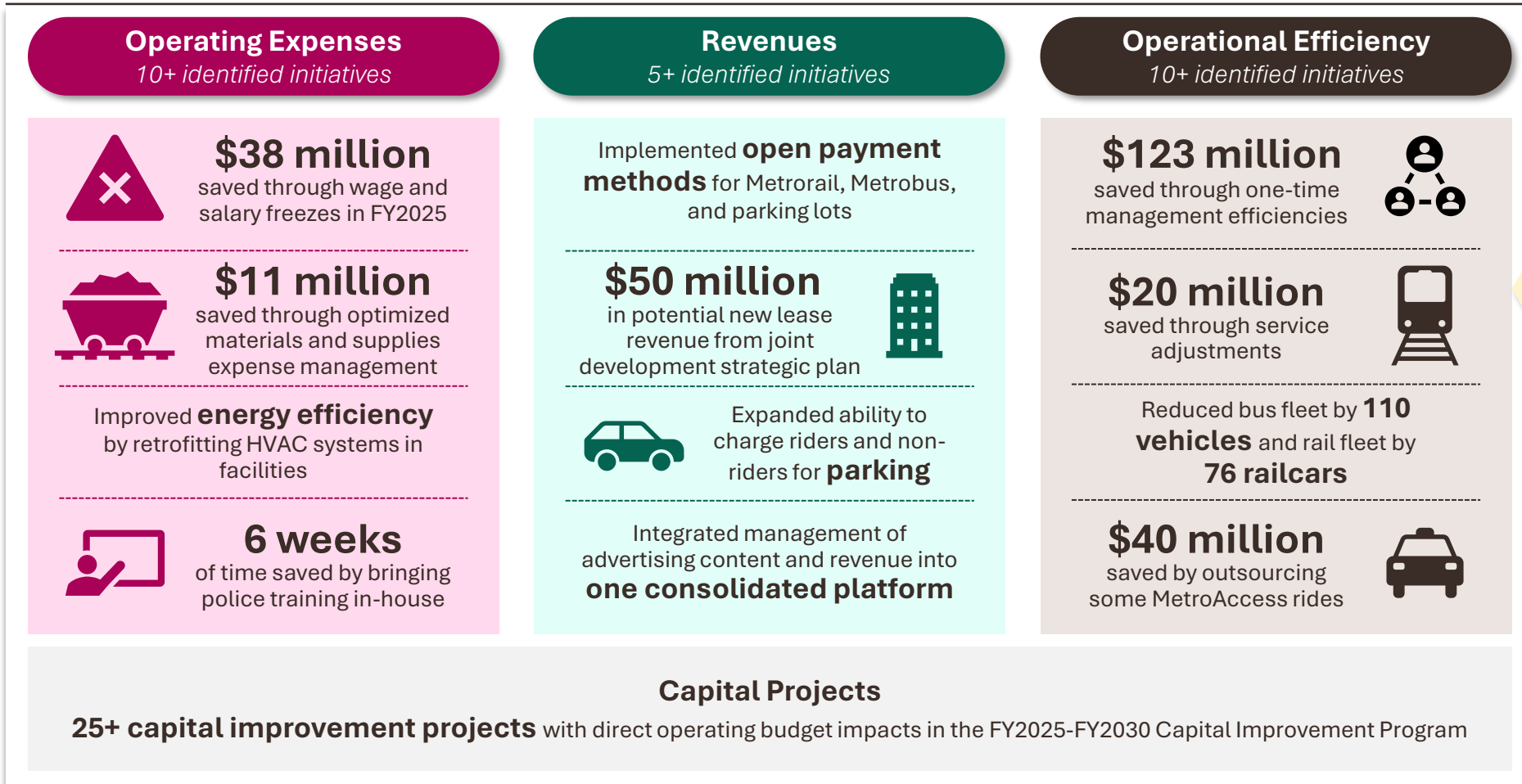
This is the result of factors such as lower passenger revenue during COVID, closeout of federal relief funds, and system expansions (e.g., Silver Line Phase 2).

3

WMATA’s funding source fluctuations highlight the need for **sustainable savings** and **new revenue**.

Our opportunities build on WMATA's 25+ recent efforts to identify operating budget savings, offsets, and efficiencies

Sample of WMATA's Recent Relevant Efforts

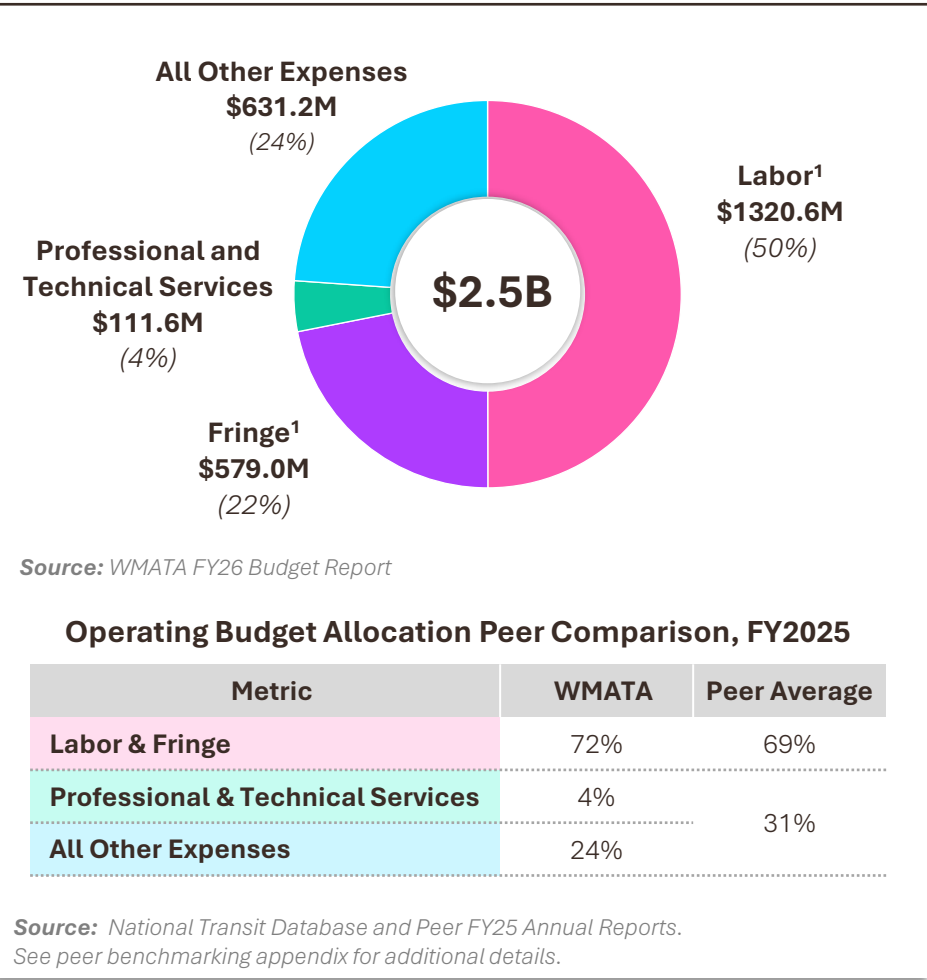


Our opportunities complement WMATA's existing efforts (e.g., Strategic Transformation Plan, Capital Improvement Plan) by identifying **supplementary measures** to decrease operating expenses, grow revenues, and improve operational efficiency

Note: This initiative is focused on WMATA's operating budget and does not include opportunities related to capital improvements

Today, workforce expenditures account for the majority of WMATA’s \$2.5B operating budget

WMATA Operating Budget by Expenditure Type, FY2026



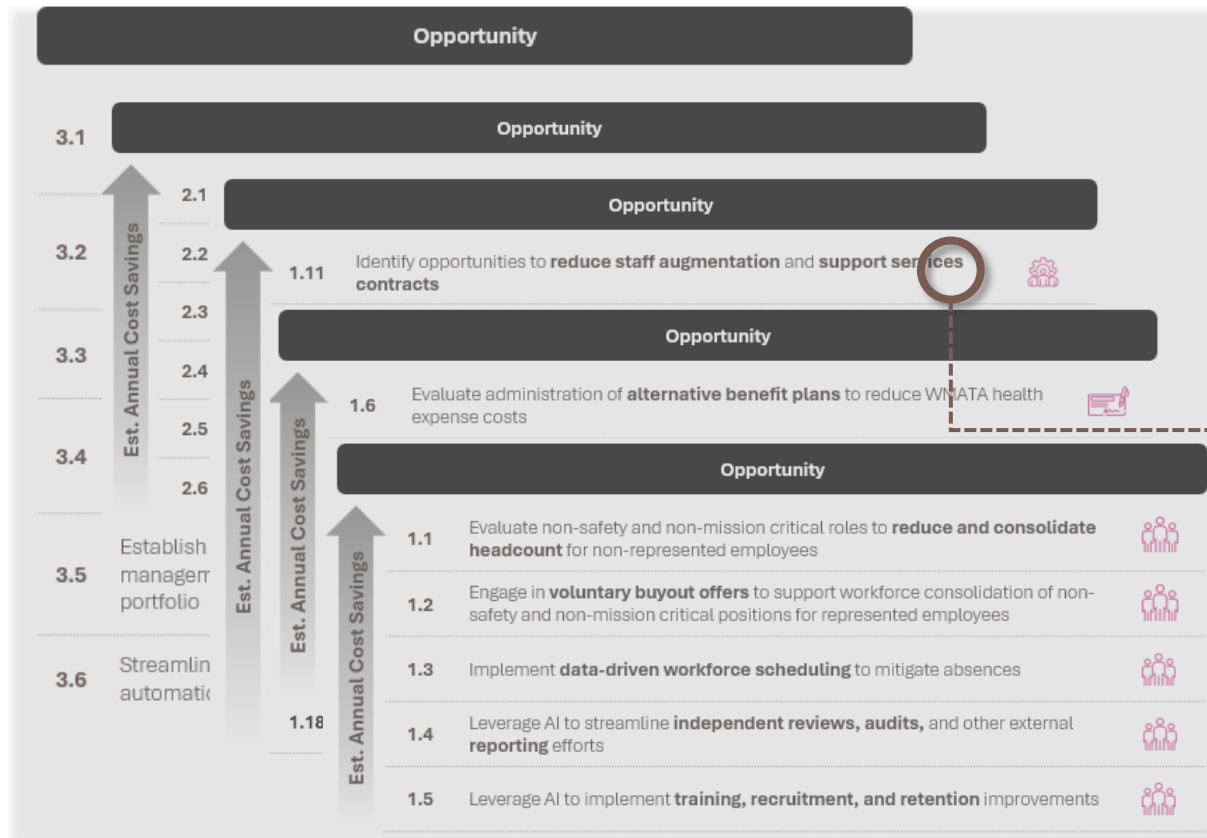
Summary of Current State Assessment Key Findings

- Labor**
 - The size of WMATA’s workforce is a key cost driver**, with headcount growing annually (10% since FY2021) as modernization and operational efficiencies continue.
 - Overtime is a growing contributor to WMATA’s labor costs.** In FY2025, WMATA’s overtime costs grew to more than 8% of the operating budget. In each year from FY2023–FY2025, overtime expenditures were also more than 50% higher than budgeted.
- Fringe**
 - Fringe expenses, particularly pensions, are often driven by the requirements of Collective Bargaining Agreements.** For example, more than 77% of WMATA employees participate in pensions that count overtime earnings – which are not capped – towards pension benefits.
- Services**
 - Professional and technical service expenses have grown 56% since FY2021** and comprise 4% of the FY2026 budget. While a relatively small share of the budget, multiple stakeholders expressed an opportunity to reduce reliance on contract labor.
- Other**
 - Though **all other expenses** make up diverse and smaller shares of the operating budget, a range of cost-savings opportunities within these areas could yield significant savings.
- Revenue**
 - Although **passenger revenue** is steadily rising post-pandemic, it offsets just 18% of WMATA’s operating expenses, underscoring the need to pursue additional **farebox recovery** and **other revenue opportunities** to offset expenses.

Note: 1) Labor and fringe operating expense have not been reduced to reflect \$143,985,000 capital allocation transfer.



This report identifies opportunities that can guide WMATA's decision making regarding cost saving and revenue generation



How does this report define an “opportunity”?

- An opportunity refers to an initiative with the **potential** to reduce costs, generate new revenue, or strengthen operational efficiency for WMATA.
- The 30 opportunities outlined in this report are designed to **support decision-making** over the next 1–5 years as WMATA advances its multi-year priorities.
- For opportunities where sufficient data was available, an **estimated range** of savings or new revenue potential is provided.
- While these estimates offer valuable insight into the possible magnitude of savings or revenue, they are **preliminary** and **require further validation by management** to analyze impact and trade-offs.
- Accordingly, these opportunities should be viewed as the **starting point** for further analysis and continued dialogue.

There are 30 potential opportunities for WMATA to consider that may result in up to \$147M in savings and \$61M in added revenue

Overview of Draft Opportunities

Challenge		Opportunity	Initiatives	Est. Annual Impact ¹
Operating Expenses	 High Labor and Fringe Costs	Optimize Workforce Planning and Overtime Management	10 initiatives	\$79M - \$139M
	 Rising Services and Miscellaneous Costs	Increase Efficiency of Procurement, Maintenance, and Utilities	8 initiatives	\$6M - \$8M ⁺²
Revenues	 Reliance on State and Local Subsidies	Grow and Diversify Revenue Streams	4 initiatives	\$12M - \$21M
	 Low System-Generated Revenue	Improve Cost Recovery via Collections and Fare Increases	2 initiatives	\$10M - \$40M
Operational Efficiency	 Limited Ridership Growth	Optimize Service and Asset Deployment	2 initiatives	N/A ³
	 Tech and Financial Planning Inefficiencies	Modernize Technology, Streamline Processes, and Encourage Long-Term Financial Planning	4 initiatives	N/A ³

Notes: 1) The estimated potential cost benefit is the summation of the “most likely” scenarios based on assumptions, available data, and research. 2) The estimated impact of the other expense recommendations is likely to be higher as six of eight recommendations are not included in cost estimates given additional technical analysis required. 3) The impacts of relevant initiatives were not estimated due to insufficient data.



Optimize Workforce Planning and Overtime Management (1/2)

Labor Opportunities: \$38M - \$69M in Total Potential Budget Benefit

Opportunity				Est. Annual Cost Savings	Organizational Impact ¹	Collective Bargaining Agreement (CBA) Involvement	
↑ Est. Annual Cost Savings	1.1	Evaluate non-safety and non-mission critical roles to reduce and consolidate headcount for non-represented employees			\$26M - \$44M	High	No
	1.2	Engage in voluntary buyout offers to support workforce consolidation of non-safety and non-mission critical positions for represented employees			\$8M - \$14M	High	Yes
	1.3	Implement data-driven workforce scheduling to mitigate absences	 STP (2,A)		\$2M - \$8M	Low	No
	1.4	Leverage AI to streamline independent reviews, audits, and other external reporting efforts	 STP (3,B)		\$2M - \$3M	Low	No
	1.5	Leverage AI to implement training, recruitment, and retention improvements	 STP (2,A)		Further Analysis Required	Medium	No
Key  Labor Opportunities STP Aligns to Strategic Transformation Plan (Goal, Objective)							

1. Organizational impact is defined as the level of organizational change management that would be required should the recommendation be implemented.



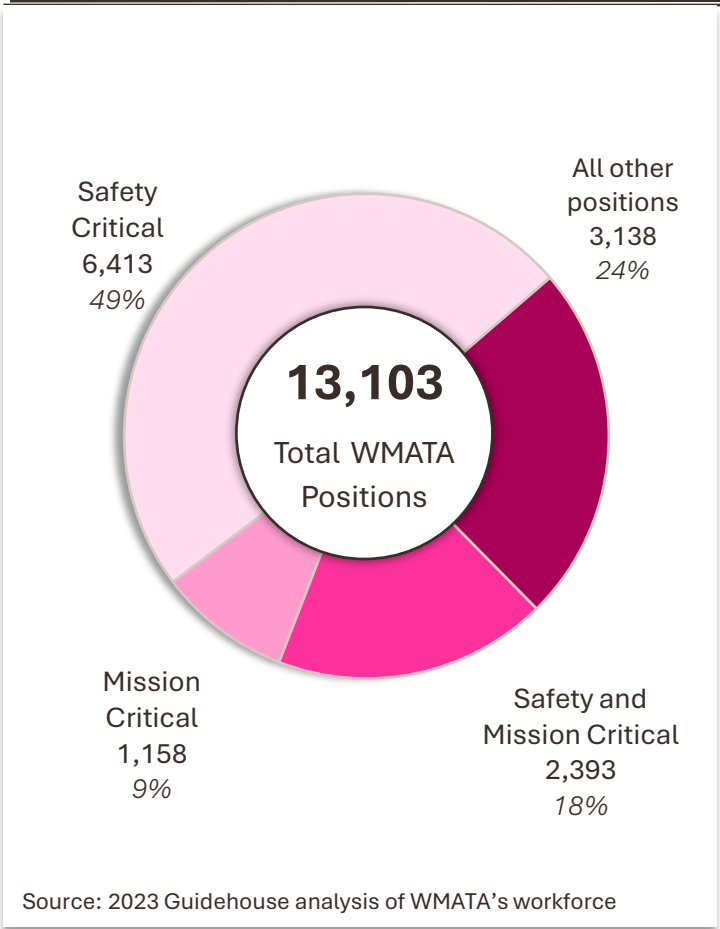
Workforce Consolidation Deep Dive

Additional details regarding the analysis underpinning opportunities 1.1 and 1.2 are provided below.

Workforce Consolidation Opportunities

Opportunity	Potential Position Reductions
1.1: Evaluate non-safety and non-mission critical roles to reduce and consolidate headcount for non-represented employees.	198 - 330 positions (7-12% total non-represented ¹)
1.2: Engage in voluntary buyout offers to support workforce consolidation of non-safety and non-mission critical positions for represented employees.	75 - 125 positions (~1% total represented ²)

Breakdown of Positions by Type



Consolidation Scenarios

- 1 Reduction in Force Program**
Combined reduction in force (RIF; applicable to non-represented positions) and voluntary buyout (VBO; applicable to represented positions). This approach yields earlier operating budget savings than the following two options.
- 2 Voluntary Separation Program**
A voluntary separation program targeting both represented and non-represented positions identified for consolidation.
- 3 Hiring Freeze**
A hiring freeze on positions identified for consolidation. These positions are gradually reduced over time through natural attrition.

Note: All other positions include those that do not directly provide or impact transit service or safety, and do not provide employee oversight or supervision. 1. Total non-represented across WMATA includes 2,766 filled positions (21%). 2. Total represented across WMATA includes 10,337 filled positions (79%).

Optimize Workforce Planning and Overtime Management (2/2)

Fringe Opportunities: \$41M - \$70M in Total Potential Budget Benefit

Opportunity			Est. Annual Cost Savings	Organizational Impact ¹	CBA Involvement
↑ Est. Annual Cost Savings	1.6	Evaluate administration of alternative benefit plans to reduce WMATA health expense costs	\$20M - \$31M	Medium	Yes
	1.7	Increase employee contribution rates to actuarially-defined contributions to reduce WMATA pension costs	\$15M - \$19M	Medium	Yes
	1.8	Reduce WMATA contributions to 401(a) defined contribution retirement plans for non-represented employees	\$5M - \$17M	Medium	No
	1.9	Restrict overtime earnings used in calculating pensionable earnings to reduce future pension liabilities	\$1M - \$2M ¹	Medium	Yes
	1.10	Increase the number of highest earning years applied towards employee pension benefit calculations to reduce future pension liabilities	\$.4M - \$1M ¹	Medium	Yes

Key  Fringe Opportunities

Note: 1) The estimated annual impact is underreported given compounded savings as more employees retire.

1. Organizational impact is defined as the level of organizational change management that would be required should the recommendation be implemented.



Increase Efficiency of Procurement, Maintenance, and Asset Management

Other Expenses Opportunities: \$6M - \$8M+ in Total Potential Budget Benefit

Opportunity					Est. Annual Cost Savings	Organizational Impact ¹	Difficulty of Implementation
↑ Est. Annual Cost Savings	1.11	Identify opportunities to reduce staff augmentation and support services contracts			\$5M - \$6M	Medium	Medium
	1.12	Transform existing real estate assets into energy generating assets and reduce annual energy purchases from utilities		STP (3,C)	\$1M - \$2M	Low	High
	1.13	Leverage AI for predictive analytics to reduce asset breakdowns and increase mean distances between failure		STP (1,B)	Asset Analysis Required	Medium	Medium
	1.14	Modernize maintenance shop services to reduce administrative needs and effort		STP (3,B)	Asset Analysis Required	Medium	Low
	1.15	Simplify design standards across capital assets, including vehicles and facilities, to streamline maintenance			Asset Analysis Required	Low	High
	1.16	Evaluate asset management lifecycles to consider quicker retirement of older assets or divestment of retired assets		STP (1,B)	Asset Analysis Required	Low	High
	1.17	Optimize use of underutilized office space to reduce leasing costs			Asset Analysis Required	Low	Medium
	1.18	Reduce warehouse and yard footprints based on review of fleet size and needs		STP (1,B)	Asset Analysis Required	Medium	High
Key Professional & Technical Services Opportunities Contract Maintenance Opportunities 'All Other Expenses' Opportunities STP Aligns to Strategic Transformation Plan (Goal, Objective)							

1. Organizational impact is defined as the level of organizational change management that would be required should the recommendation be implemented.



Grow and Diversify Revenue Streams; Improve Cost Recovery

Revenue Opportunities: \$22M - \$61M in Total Potential Budget Benefit

Opportunity				Est. Annual Revenue Growth	Organizational Impact ¹	Difficulty of Implementation	
↑ Est. Annual Cost Savings	2.1	Increase passenger fares across transportation modes, with a focus on rail services		\$10M - \$40M	Low	Medium	
	2.2	Lease underutilized parking lots		STP (3,A)	\$5M - \$9M	Low	Medium
	2.3	Increase parking rates for WMATA riders and/or non-riders		STP (3,A)	\$4M - \$7M	Low	Medium
	2.4	Enhance advertising revenue through additional potential partnership opportunities and investments		STP (3,A)	\$3M - \$4M	Low	Low
	2.5	Assess potential (non-food/drink) concession and leasing opportunities at rail stations		STP (3,A)	\$290K - \$520K	Low	Low
	2.6	Identify and implement additional strategic fare collection efforts		\$100K - \$250K	Low	Low	
Key Passenger Revenue Opportunities Other Revenue Opportunities STP Aligns to Strategic Transformation Plan (Goal, Objective)							

1. Organizational impact is defined as the level of organizational change management that would be required should the recommendation be implemented.



Optimize Service Provision and Asset Deployment; Encourage Long-Term Financial Planning

Operational Efficiency Opportunities

Opportunity			Anticipated Budget Impact	Considerations
3.1	Continue to evaluate opportunities to adjust service levels , including consideration of current and future ridership demand, economic cost-benefits, and Board service requirements		Service cuts will generally improve operating budget	- Cuts often do not create proportional budget benefits - Reduction in service may reduce ridership, system value, and broader economic and societal impacts
3.2	Continue to evaluate opportunities to rationalize fleet size , including consideration of retirement of railcars and buses and associated facility footprints, as well as current and future ridership demand	STP (1,B)	Fleet reductions will generally improve operating budget	- Reductions may impact service delivery and should be considered in accordance with service levels - Reductions may impair future system growth
3.3	Pursue additional federal financing options (e.g., TIFIA loans)		Securing TIFIA loans can relieve financial pressures	- Can be used to fund WMATA's ongoing capital needs – freeing up funds for other capital priorities - Requires additional finance administration support
3.4	Modify WMATA's annual budget submission process to require an extended multi-year budget to align with multi-year plans and strengthen planning and oversight of WMATA's current and future budget requirements		Provides greater insight into future financial needs	- Will give three jurisdictions – DC, MD and VA – more lead time to plan appropriations - Requires additional finance administration support
3.5	Establish AI Ops capabilities to enhance and streamline the management (O&M) of the current digital ecosystem and application portfolio	STP (3,B)	Reduce labor and IT spend on O&M	- Must successfully navigate integration and data source complexity and data source/system - Contractor support review needed to reduce redundancy
3.6	Streamline procurement through centralized content, insights, and automation	STP (3,B)	Labor savings enabled by productivity gain	- Will require upfront investment in data and AI capabilities - Operational efficiency may reduce staffing levels or redirect time to other tasks

Key	Service Level and Fleet Size Opportunities	Financial Planning Opportunities	Digital Modernization Opportunities	Aligns to Strategic Transformation Plan (Goal, Objective)
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Three priority next-steps provide the strongest near-term impact

From the 30 opportunities, these three next steps will best position WMATA for action

	 Reduce Operating Expenses	 Growth Revenue	 Strengthen Operational Efficiencies
Priority Next Step	1 Conduct a Detailed Workforce Assessment	2 Analyze Demand-Driven Fare Increase Scenarios	3 Conduct an AI / Operational Efficiency Readiness and Prioritization Assessment
Why Selected	Provides the validated data foundation for labor-related cost savings, i.e., staffing and overtime.	Builds a defensible revenue model through updated elasticity and scenario analysis.	Identifies feasible modernization and automation use cases that improve efficiency and impact labor and workforce.

These initiatives form the starting point for deeper analysis and action across the 30 opportunities