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		

	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

Primary Focus Areas   **Secondary Focus Areas**

Operating Expenses

Operational Efficiency

Revenues

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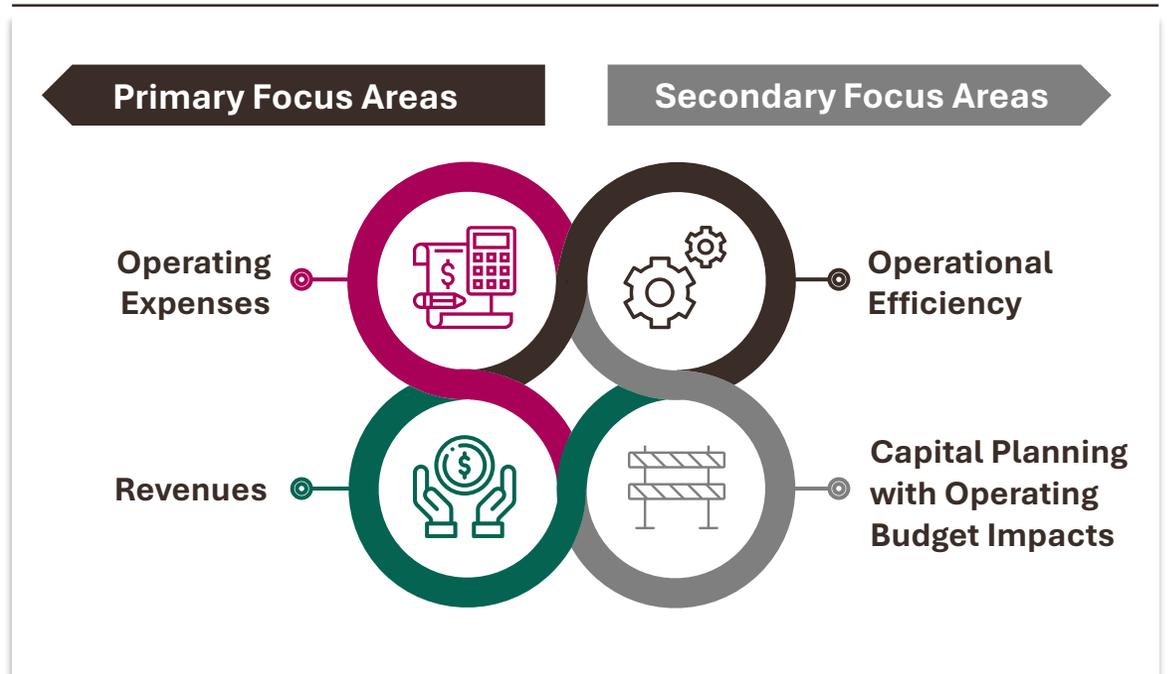
This Operational Assessment is a **focused, actionable assessment** – intended as a **practical tool** to analyze WMATA's operations, budget, and finances and identify opportunities for improvement.

This assessment serves as a living resource for the WMATA Board and management, intended as a starting point for ongoing improvement
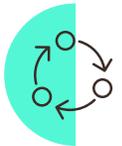
How the Operational Assessment Can Be Used

Reference for Decision-Making: Use this report as a foundation for budget planning, strategic discussions, and ongoing oversight.
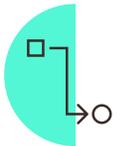
Starting Point, Not the Final Word: Treat the assessment as a starting point for deeper dives, follow-up analysis, and continued dialogue.

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, Metropolitcal Washington COG, NVTC, VA Secretary of Transportation, as well as WMATA itself.

Peer Benchmarking

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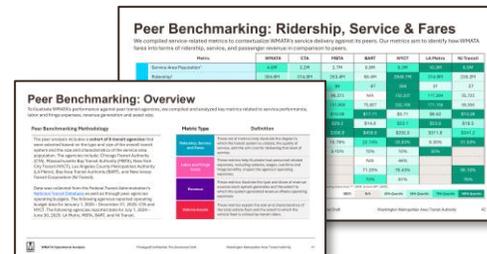
The peer analysis includes a cohort of 6 transit agencies that were selected based on the type and size of the overall transit system and the size and characteristics of the service area population. Data was also collected from the Federal Transit Administration's National Transit Database as well as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

Inputs from Partners
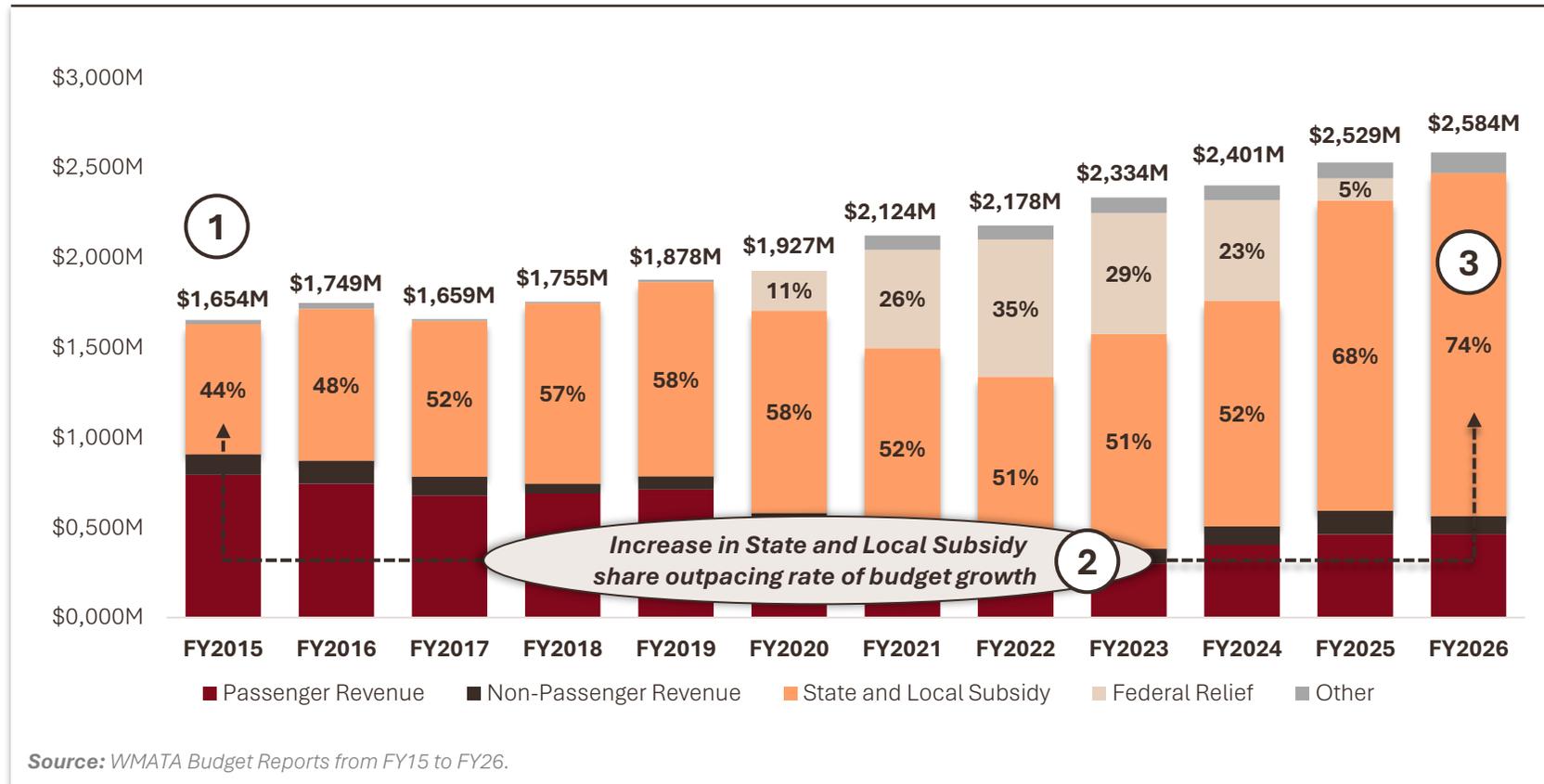
20+ individuals interviewed

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])*

Chart: WMATA Operating Budget by Source, FY2015–FY2026 (values in $M), stacked bars with categories: Passenger Revenue, Non-Passenger Revenue, State and Local Subsidy, Federal Relief, Other.

Fiscal Year	Total	State and Local Subsidy %	Federal Relief %
FY2015	$1,654M	44%	
FY2016	$1,749M	48%	
FY2017	$1,659M	52%	
FY2018	$1,755M	57%	
FY2019	$1,878M	58%	
FY2020	$1,927M	58%	11%
FY2021	$2,124M	52%	26%
FY2022	$2,178M	51%	35%
FY2023	$2,334M	51%	29%
FY2024	$2,401M	52%	23%
FY2025	$2,529M	68%	5%
FY2026	$2,584M	74%	

① *(annotation on FY2015)*

Increase in State and Local Subsidy share outpacing rate of budget growth ②

③ *(annotation on FY2026)*

Legend: ■ Passenger Revenue ■ Non-Passenger Revenue ■ State and Local Subsidy ■ Federal Relief ■ Other

Source: WMATA Budget Reports from FY15 to FY26.

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%**.

③ 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).
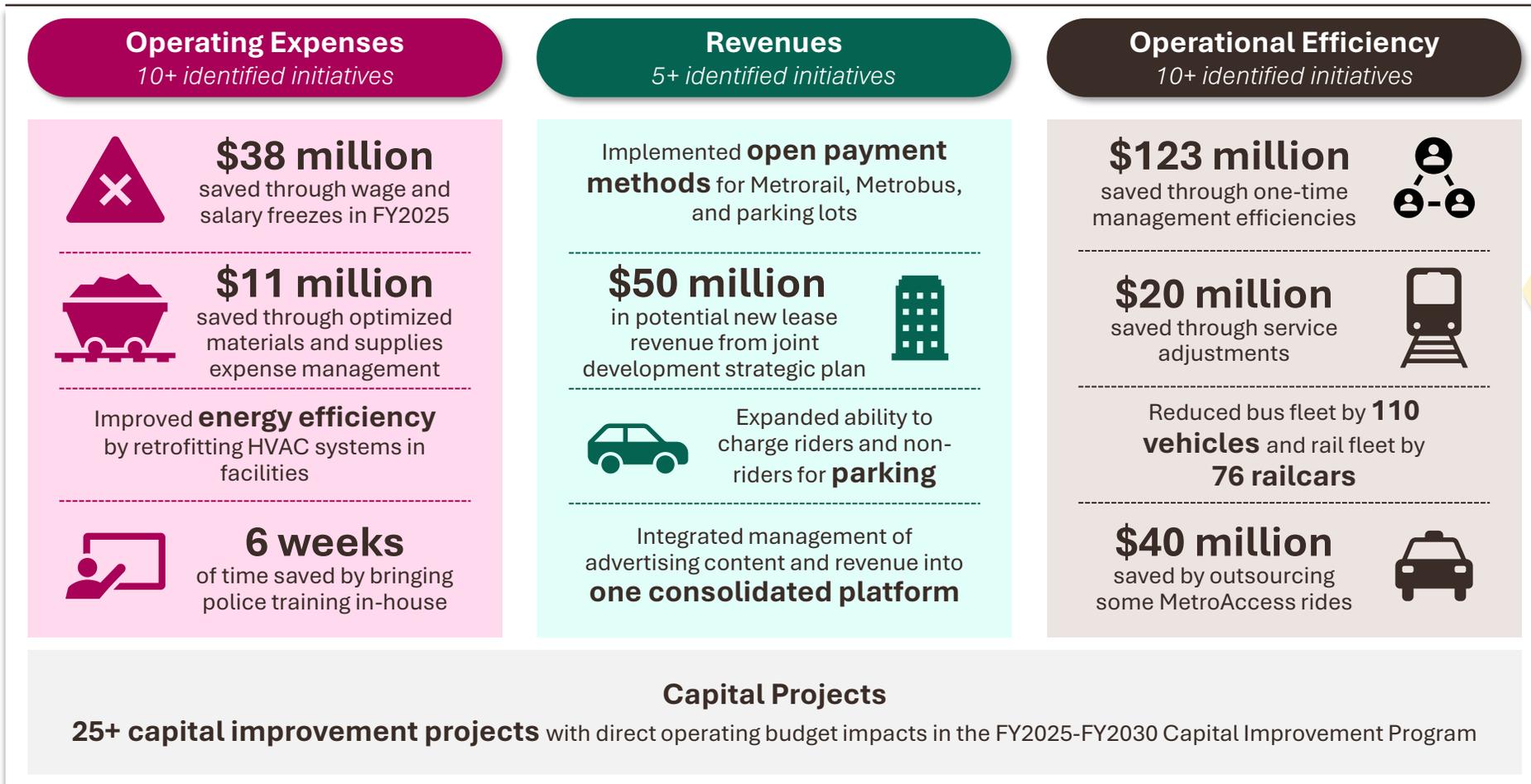
WMATA's funding source fluctuations highlight the need for **sustainable savings** and **new revenue.**

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.

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

Sample of WMATA's Recent Relevant Efforts

Operating Expenses
10+ identified initiatives

$38 million
saved through wage and salary freezes in FY2025

$11 million
saved through optimized materials and supplies expense management

Improved **energy efficiency** by retrofitting HVAC systems in facilities

6 weeks
of time saved by bringing police training in-house

Revenues
5+ identified initiatives

Implemented **open payment methods** for Metrorail, Metrobus, and parking lots

$50 million
in potential new lease revenue from joint development strategic plan

Expanded ability to charge riders and non-riders for **parking**

Integrated management of advertising content and revenue into **one consolidated platform**

Operational Efficiency
10+ identified initiatives

$123 million
saved through one-time management efficiencies

$20 million
saved through service adjustments

Reduced bus fleet by **110 vehicles** and rail fleet by **76 railcars**

$40 million
saved by outsourcing some MetroAccess rides

Capital Projects
25+ capital improvement projects with direct operating budget impacts in the FY2025-FY2030 Capital Improvement Program
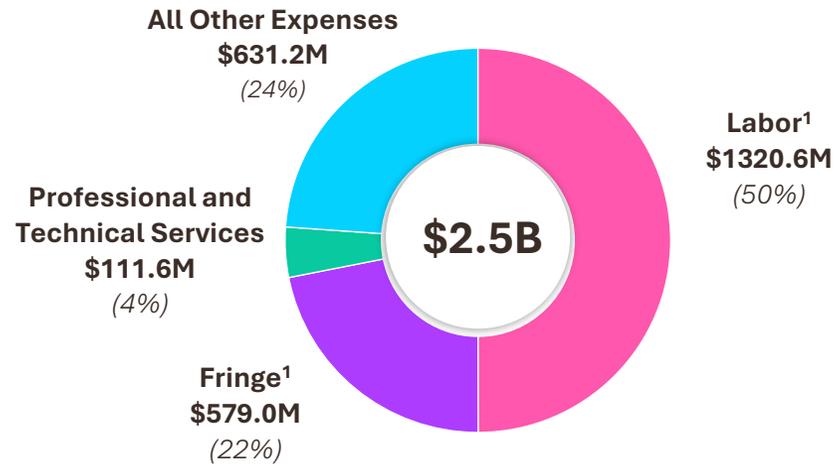
Our opportunities complement WMATA's existing efforts (e.g., Strategic Transformation Plan, Capital Improvement Plan) by identifying **supplementary measures** to decrease operating expenses, grow revenues, and improve operational efficiency

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

All Other Expenses
$631.2M
(24%)

Professional and
Technical Services
$111.6M
(4%)

Fringe[1]
$579.0M
(22%)

$2.5B

Labor[1]
$1320.6M
(50%)

Source: WMATA FY26 Budget Report

Operating Budget Allocation Peer Comparison, FY2025

Metric	WMATA	Peer Average
Labor & Fringe	72%	69%
Professional & Technical Services	4%	31%
All Other Expenses	24%	

Source: National Transit Database and Peer FY25 Annual Reports.
See peer benchmarking appendix for additional details.

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.
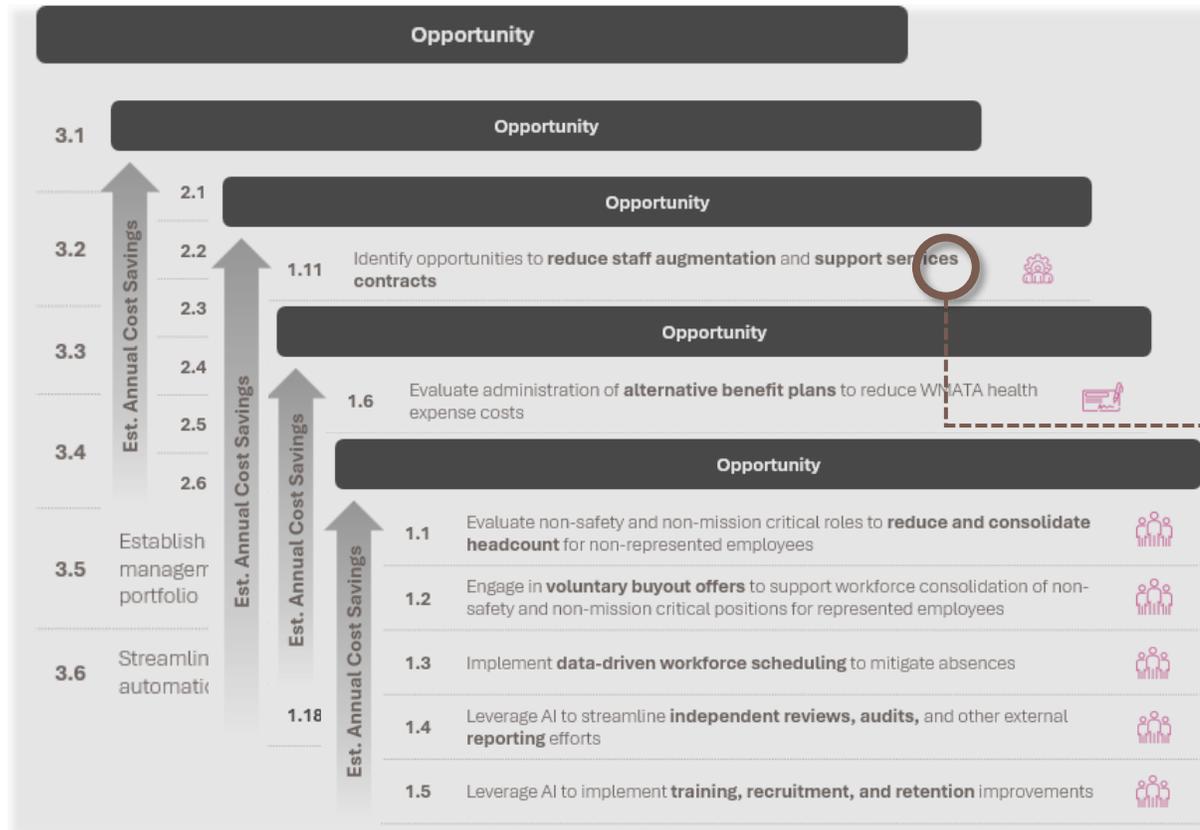
Revenue
- Although **passenger revenue** is steadily rising post-pandemic, it offsets just 18% of WMATA's operating expenses, underscoring the need to pursue additional **farebox recovery** and **other revenue opportunities** to offset expenses.

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
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

Est. Annual Cost Savings

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

Safety Critical
6,413
49%

All other positions
3,138
24%

13,103
Total WMATA Positions

Mission Critical
1,158
9%

Safety and Mission Critical
2,393
18%

Source: 2023 Guidehouse analysis of WMATA's workforce

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 actuarily-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
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**

Est. Annual Cost Savings (vertical axis label)

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
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

Est. Annual Cost Savings

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.

WMATA Operational Assessment – Presentation to the WMATA Board

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 **AIOps 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   STP Aligns to Strategic Transformation Plan (Goal, Objective)

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