The following items were handed out at the December 7, 2017 NVTC Meeting.

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NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NVTC Legislative Strategy

Messaging:

- Key message development; ensure everyone is using the same messages and talking points. We are working on this with the Transit Stakeholders Group, which has grown to over twenty members and includes NOVA members and Hampton Roads members. The goal is for all members to know the others' key points so we can advocate for our region, but also know that we are working together on key goals:
  - Gas tax floor
  - Statewide transit funding
  - Regional transit needs- NOVA: WMATA and VRE; Hampton Roads- Regional transit plan- Connect Hampton Roads

- The main message we continue to need to use as we educate members of the General Assembly is that transit is a critical part of our Commonwealth's transportation system and an economic driver. And, without additional state resources, we will not be able to keep our transit system safe, reliable or affordable.

Coalition Building:

- We have been working since last session to build up our allies across the state and have been working hand in hand with the transit folks in Hampton Roads and the localities in both regions of the state.

- In addition, we have been meeting with Chambers of Commerce across NOVA educating them about the impending needs and how it affects business. The NOVA Chamber and others have been an excellent partner and is committed to helping us on Metro funding as well as the gas tax floor.

- An influential business group in Hampton Roads has also reached out to us as they are considering getting involved in asking for a floor on the regional gas tax this year, which will just strengthen the group of allies we already have on board with us.

- Additionally, we continue to look for opportunities to join with other transportation needs in other parts of the Commonwealth, such as Southwest, the Valley, or Richmond where we could find partners on a larger, more inclusive transportation solution.

Educating Policy Makers:

- Governor's Budget

  We will continue to collaborate with our NOVA partners to ensure we have a unified position once the Governor's budget is released. We continue to hear that there will be funding in the Governor's budget for Metro and potentially a start to filling in the statewide transit hole. VRE continues to advocate for additional funding in advance of an impending crisis. It will be critical that we have as much of a unified message as possible on funding because so many of the Republican members left in the House of Delegates are from downstate.

- Legislature

  And because of the recent changes in the legislature, we have our work cut out for us. The joint legislative briefing we held on Monday was attended by XX of the newly elected members, which was a great opportunity for them to become educated about the transit needs we are facing.

  We are fully prepared to be spending a lot of time on the ground in Richmond, educating the money committee members and leadership in the House and Senate. With so much uncertainty remaining in the House of Delegates and potentially not knowing until January if there is Republican, Democratic or shared control of the House, it makes it more challenging and even more important that we are just ready to hit the ground running when session begins.

The Washington Post

Blue Item #6

Opinions

Don’t repeal the commuter tax benefit

November 29 at 6:20 PM

The legislative change proposed to the federal commuter transit benefit, while seemingly minor, would be devastating for our region’s transit riders, local transit providers and even those who choose to commute by car. As the Nov. 26 Commuter article “Commuter benefits could be squeezed by tax overhaul bills” noted, the House and Senate versions “would repeal a tax deduction for employers who provide parking or transit passes as a fringe benefit for their employees.”

Combined with a lower corporate tax rate, this repeal leaves little incentive for businesses to provide transit benefits. Roughly 90 percent of Virginia Railway Express passengers and 65 percent of Metro’s Virginia riders rely on the commuter transit benefit, as much as $260 per month per person, to pay all or part of their fares. Any change to the benefit program could mean a dramatic reduction in ridership and a significant increase in the number of cars on the region’s roads. And more congestion means negative effects on our local economy and the quality of life for our residents. Congress should leave the commuter tax benefit intact.

Katie Cristol, Arlington

The writer is vice chair of the Arlington County Board, co-chairman of the Northern Virginia Transportation Commission’s Legislative Committee and secretary of the Virginia Railway Express Operations Board.

BACK2GOOD

Metro launched Back2Good to improve safety, service and financial management by the end of 2017, and progress has been achieved in every area. **For more information** visit **wmata.com/back2good**

SERVICE RELIABILITY

- **Offloads due to railcar issues down 45%** this year.
- **Nearly 9 out of 10 customer trips arrived on time in October 2017,** compared with just 7 out of 10 last fall.
- **452 new 7000-series railcars now delivered,** doubling the number of new trains in the past 12 months.
- **Escalators achieving 95% performance** this year.
- **More than 130 real-time bus information signs installed** in bus shelters and rail stations this year, and upgraded technology now used by street supervisors.
- **Abilities-Ride program launched,** providing MetroAccess customers in Maryland with more flexible service options.

SAFETY

- **Red signal overruns down 60%** this year.
- **Rail fire incidents down 25%** this year.
- **White platform edge lights** installed so far this year at 19 Metrorail stations and **brighter LED lights** installed in 197 pylons at 13 stations.
- **Enhanced cleaning** of platforms, mezzanines and entrances at all 91 stations in 2017.
- **Major crime on Metro down 18%** through October, compared to same period in 2016.
- **Cellular service activated in tunnels as work progresses –** segments of RD, OR, BL & SV lines completed this year.

FINANCIAL MANAGEMENT

- **FTA's Financial Management Oversight audit closed** with all corrective actions completed, resulting in improved access to federal funds.
- **Employee absenteeism down 16%** since management policies put in place.
- For the second year in a row, Metro completed an **on-time, clean financial audit.**

Update Published: November 9, 2017

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

RESOLUTION #2348

SUBJECT: Approve the Submission of VRE Projects to NVTA for FY2018-2023 Six-Year Program Funding Consideration

WHEREAS: The passage of House Bill 2313 requires the Northern Virginia Transportation Authority (NVTA) to fund highway projects that have been both included in TransAction and evaluated for congestion relief and emergency evacuation by VDOT or mass transit capital projects that increase capacity;

WHEREAS: The NVTA has issued a Call for Projects to agencies and jurisdictions for consideration for funding with expected FY 2018 through FY 2023 revenues;

WHEREAS: VRE has identified a set of projects that expand VRE capacity consistent with the VRE Capital Improvement Program (CIP) and System Plan 2040 where funding to continue to advance the project through implementation has not yet been identified;

WHEREAS: Each of the projects satisfies NVTA funding eligibility requirements to both be included in the TransAction long-range regional transportation plan and increase transit capacity; and

WHEREAS: The VRE Operations Board recommends the following action.

NOW, THEREFORE, BE IT RESOLVED that the Northern Virginia Transportation Commission does hereby approve the submission of the projects identified in Attachment 1, for a total request up to $168 million, to the NVTA for consideration for funding in its FY2018-2023 Six Year Program. The projects encompass NVTA TransAction Project No.93, VRE Fredericksburg Line Rail Capacity Improvements; Project No. 298, VRE Alexandria-DC Rail Capacity Improvements; Project No. 300, VRE Manassas Line Rail Capacity Enhancements; Project No. 301, VRE Fredericksburg Line Service Expansion.

BE IT FURTHER RESOLVED that NVTC/PRTC authorizes the VRE Chief Executive Officer to submit the approved projects for funding, to make any necessary corrections to project amounts or descriptions, to remove the L'Enfant station and track improvements project dependent on its eligibility for NVTA funding, and to execute all project agreements on behalf of the Commissions.

Approved this 7th day of December 2017.

Jeffrey C. McKay
Chairman

Matthew F. Letourneau
Secretary-Treasurer

Attachment 1

Project Name	Description	Phase Requested for Funding	Year Funding Requested	Estimated Cost ($YOE)	Proposed NVTA Funding Request
Crystal City Station Improvements, TransAction Project No. 298, VRE Alexandria-DC Rail Capacity Improvements	Relocated and expanded station with longer platform and service on two tracks	Final Design	FY20	$42,000,000	$4,000,000
L'Enfant Station and Track Improvements, TransAction Project No. 298, VRE Alexandria-DC Rail Capacity Improvements	Relocated and expanded station with longer platform and service on two tracks, addition of fourth through the station from L'Enfant interlocking to Virginia interlocking.	Final Design	FY21	$71,000,000	$6,000,000
Woodbridge Station and Track Improvements, TransAction Project No. 93, VRE Fredericksburg Line Rail Capacity Improvements and Project No. 301, VRE Fredericksburg Line Service Expansion	Expanded station with longer platform and service on three tracks, addition of Occoquan third track through the station from the Franconia-Springfield to Occoquan third track segment to near Featherstone Rd., including crossing of the Occoquan River.	Final Design	FY22	$230,000,000	$29,500,000
Manassas Park Station Parking Garage, TransAction Project No. 300, VRE Manassas Line Rail Capacity Enhancements	Addition of a parking garage to provide additional parking for the station and a grade-separated pedestrian connection from the garage to the station platform.	Construction	FY19	$25,983,000	$23,480,000
Manassas Station Improvements, TransAction Project No. 300, VRE Manassas Line Rail Capacity Enhancements	Expanded station with longer platform and pedestrian connection to the Prince William Street surface parking lot	Preliminary Engineering/ Environmental Review, Final Design, Construction	FY19 Design FY21 Const.	$9,125,000	$9,125,000
Broad Run Station and MSF Improvements, TransAction Project No. 300, VRE Manassas Line Rail Capacity Enhancements	Expanded station with longer platform and additional parking, expanded train storage for longer trains	Final Design, Construction	FY19 Design FY20 Const.	$56,256,000	$44,156,000
Manassas Line Third Track, TransAction Project No. 300, VRE Manassas Line Rail Capacity Enhancements	Third main track on the Norfolk Southern Railway from the VRE Broad Run station to Grant Avenue in Manassas	Final Design, Construction	FY19 Design FY21 Const.	$20,131,000	$20,131,000
Manassas Line Real-Time Multimodal Traveler Information System, TransAction Project No. 300, VRE Manassas Line Rail Capacity Enhancements	Software and equipment to support the provision of VRE real-time traveler information	System Design and Procurement of Software and Equipment	FY19	$6,561,000	$3,481,000
VRE Rolling Stock, TransAction Project No. 300, VRE Manassas Line Rail Capacity Enhancements	10 expansion coaches to lengthen VRE Manassas Line trains	Procurement of Coaches	FY19	$33,370,000	$28,120,000
Total				$494,426,000	$167,993,000

RAY LAHOOD

December 5, 2017

The Honorable Terence R. McAuliffe
Governor, Commonwealth of Virginia
Patrick Henry Building, 3rd Floor
1111 East Broad Street
Richmond VA 23219

Dear Governor McAuliffe:

In March, 2017 you asked me to undertake an independent review of the finances, management and operations of the Washington Metropolitan Area Transit Authority (WMATA). To carry this out, I spent the last eight months reviewing information about WMATA and meeting with regional stakeholders. This letter describes what I found and contains my recommendations.

In performing this review, I worked closely with a team from the global engineering firm WSP. They collected data on WMATA's costs, revenues and other key indicators to compare it to other large U.S. transit agencies. WSP's benchmarking and other analysis is presented in a report being released in conjunction with this letter.

My findings and recommendations are as follows.

– ***Finding #1: WMATA General Manager Paul Wiedefeld is performing well.*** Turning around a major organization of any kind, whether a public agency or a private business, begins with the leadership team. Since coming on board in late 2015, Mr. Wiedefeld has not shied away from taking on the problems that have plagued WMATA for years. When lines needed to be temporarily closed to assure they were safe and reliable, they were closed. When employees failed to perform up to expectations, they were terminated. When service needed to be reduced to manage costs and assure maintenance could be performed, it was reduced. He is the right person for the job at hand.

– ***Finding #2: The WMATA board structure is not what the agency needs.*** The agency's board is too large, too fractious, and too oriented toward interests of the region's individual jurisdictions rather than the needs of the region as a whole. This is not the fault of the people currently holding seats on the board; these issues pre-date them and will persist after they leave unless something is done. Perhaps a poorly-functioning board could be tolerated if everything else was going well, but that is not our situation. For the next several years the board will need to focus on one thing: making the system safe and reliable. This will require tough decisions, and jockeying for position among the region's jurisdictions will need to take a back seat.

- ***Finding #3: WMATA's costs are mostly average.*** Much attention has been paid to the cost of running WMATA. This is as it should be; the agency provides a public service and it needs to be cost-effective. Our review found that WMATA's cost to deliver a unit of service is average for a large transit agency, and its wages are in line with the region's cost of living. Opportunities for improvement exist, several of which are pointed out in the report accompanying this letter. I hope WMATA's board and management will aggressively pursue them. WMATA has cost issues it can address, but they are similar to those at other agencies of its kind.

- ***Finding #4: Ridership has fallen, and this has financial consequences.*** The years of steady ridership growth came to an end after 2015. Transit ridership is down modestly nationwide, but the decline at WMATA is far greater. Lost ridership means lost revenue, and the decline in patronage has put a major hole in WMATA's operating budget that state and local funders have had to fill. WMATA's biggest funder is its customers, and doing what it takes to bring them back is vital.

- ***Finding #5: WMATA offers more service per rider than other large transit agencies.*** Even as ridership declined, WMATA continued to add service – more and longer trains, more early-morning and late-night hours, and new Silver Line service. This was convenient for riders, but it came with a cost. For both bus and rail, WMATA has offered at least twenty percent more service per rider than the average large transit agency, which leads to higher costs than in other metro areas.

- ***Finding #6. WMATA has no capital funds of its own, and the jurisdictions that fund its capital needs have not provided enough to keep the system in acceptable condition.*** The Metrorail system opened in 1976, and for many years it performed well because the tracks, stations and other key systems were mostly new. But the system is now 40 years old and much of it needs renewal or replacement. Unfortunately, the funders that pay for WMATA's capital program have grown accustomed to contributing at a level adequate for a new system, but far too low for an aging system.

- ***Finding #7: WMATA can be improved without opening the Interstate Compact that governs it.*** WMATA is unusual among transit agencies because it operates in multiple states. For this reason, it is governed by an Interstate Compact between D.C., Maryland and Virginia. Any changes to this agreement require legislative approval in all three jurisdictions and an Act of Congress signed by the President. This process can take years. I do not believe we can wait to reform WMATA, and so the recommendations I am offering can all be carried out without waiting for a change to the Compact.

Based on these findings, I propose the following actions to improve WMATA.

- ***Recommendation #1: Install a temporary Reform Board.*** For WMATA to succeed, its board needs to change. I propose the current 16-member board be temporarily replaced by a five-member Reform Board. One member each would be appointed from D.C., Maryland, Virginia and the federal government, and the four appointing authorities would jointly agree on a fifth person to serve as Chair. These new appointees would be given a very clear mandate: bring WMATA back to what it once was, the best transit system in America. The findings in this letter and the accompanying report provide a roadmap to follow. I estimate it will take three years of sustained effort to assure WMATA is on the right path, and during this time the Reform Board would develop a recommendation for a transition to a new permanent board.

- ***Recommendation #2: Offer service that matches actual demand.*** For both bus and rail, WMATA has offered more service – more buses and train cars running more hours on more routes – than its peer transit agencies. With Metrorail, this mostly emerged over the last decade as ridership fell and service kept expanding. Mr. Wiedefeld has trimmed rail service for FY2018, and if rail ridership begins to grow again, a major re-think of rail service levels may not be needed. If rail ridership does not grow, more painful choices will need to be considered. The situation with Metrobus is different. Service levels have been high going back at least 15 years, and there is no indication bus ridership will grow to match the current level and pattern of service. For these and other reasons a major reset of the WMATA bus system is needed. This is discussed in further detail in the accompanying report. The idea is not simply to curtail low performing bus routes. Something much more comprehensive is needed. By re-examining the entire system of bus routes, schedules and operating practices, we can find opportunities for things like more efficient routing that save money and improve service. Other cities have reset their bus systems in this way in recent years, most notably Houston.

- ***Recommendation #3: Manage costs and increase productivity in the next labor contract.*** Although WMATA's pay, benefits and employment policies are similar to those at other large transit agencies, improvement is still possible. On average, WMATA's unionized workers contribute about three percent of pay toward pension, well below the national average for workers with similar pensions. WMATA workers count overtime earnings toward retirement pay with no cap; many other agencies either cap or prohibit this. The freedom for WMATA workers to pick their shifts should not extend to working excessive hours consecutively beyond what is safe. The next labor contract is an opportunity for reform in these and other areas.

- ***Recommendation #4: Reliably deliver a large capital program.*** WMATA needs to increase the pace of repairing aging infrastructure. This is beyond question. But those who are asked to fund this will hesitate if they doubt WMATA is capable of actually spending new money. Unfortunately, this has been a major shortfall in the past. For much of the last decade, WMATA was rarely able to spend more than 80 percent of the capital funds it budgeted for a given year. Performance has improved markedly under Mr. Wiedefeld; in FY2017 WMATA carried out more capital work than it had budgeted – a first – and invested significantly more than in any previous year. This is welcome news, but annual investment levels will need to continue rising for WMATA to have any hope of tackling its backlog of deteriorated assets.

- ***Recommendation #5: Give WMATA new, dedicated capital funding.*** WMATA's infrastructure is aging and needs renewal, and the funding it receives today is not enough to get this done. Not even close. Mr. Wiedefeld has estimated a need for $500 million per year in new capital funding; WSP's analysis produced a slightly higher estimate, $540 million per year, although it also identified areas for operating cost savings that could make up the difference. I think $500 million per year should be our target. WMATA's problems will never be solved without this new money.

  That said, the amount is not the only thing that matters. The major surge in capital spending that is needed will not be possible without WMATA taking on new debt, and this will be possible only if new funding is dedicated in a way that is accepted by the capital markets.

  The final question is how to raise these funds. I am not proposing a specific method because many different arrangements would work. A single uniform source across the region, such as a sales tax, has been used with success in other places. However, the complex jurisdictional structure in our region makes this very challenging. Each of WMATA's funding partners will need to play a role, and each can generate its share in a way that makes sense for them. The methods can be different so long as the key criteria are met: the total is sufficient, the funds are dedicated, and they arrive soon.

- ***Recommendation #6: Create a new dedicated source of capital funding for WMATA at the federal level.*** WMATA is unique among U.S. transit systems because of its relationship with the federal government. Nearly 40 percent of rush hour Metrorail riders are federal employees, and this gives the federal government a special responsibility to help WMATA succeed. In 2008, Congress authorized $1.5 billion in special WMATA funding over 10 years as part of the PRIIA legislation, to be matched by an equal amount of state and local funding. This raised the level of capital commitments to WMATA from all sources from roughly $500 million per year to around $800 million per year. It was a huge help, but $800 million per year is not nearly enough. More troubling still, PRIIA funding is set to expire and it is not clear if it will be renewed.

  Congress and the administration should create a successor program of dedicated WMATA funding to take over once PRIIA funding expires. If the state and local governments in the region increase their contributions to WMATA, so should the federal government. And just like any new state and local funds, if possible these federal funds should be legally dedicated to WMATA so they can be used to back bonds. In my discussions with members of the region's Congressional delegations I found essentially universal support for WMATA. They know it needs to succeed, and they're willing to help. Achieving an increase in federal funds will be difficult, but I trust that the members of the House and Senate that represent this region will do all they can to make it happen.

If these recommendations are followed, I am optimistic about WMATA's future. The Washington D.C. region is vibrant and growing, in part because of its transit infrastructure. Riders may not come back immediately, but if we make the system safe, reliable and convenient, they will come back eventually. However, if these recommendations are not followed, I cannot be optimistic about the future. The last decade has not been a good time for WMATA, and we need to make major changes to its leadership, operations and funding to turn this around.

These changes will happen only if the region's leaders and the federal government take the difficult steps needed to put WMATA back on the right path. On this point, I would like to commend you, Governor McAuliffe, for the leadership you have shown in bringing attention to this issue. I am honored that you asked me to offer my perspective, and I hope you and others in Virginia will find it useful, just as I hope that leaders in Maryland, the District of Columbia and at the federal level will as well.

I look forward to seeing WMATA return to what it once was – America's number one transit system.

Sincerely,

Ray LaHood

Review of Operating, Governance and Financial Conditions

at the

Washington Metropolitan Area Transit Authority

2017

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EXECUTIVE SUMMARY

This report compares the Washington Metropolitan Area Transit Authority (WMATA) against other large transit agencies on a variety of indicators. Data reflects 2015 unless otherwise stated.

Cost Structure. By multiple measures, WMATA's cost structure is generally average for a large transit agency. All-in labor costs per hour, including salaries, wages and fringe benefits, are average. The unit cost to deliver service, as measured by total operating and maintenance (O&M) spending per hour of service delivered, is average for Metrobus and nine percent above average for Metrorail. Higher than average Metrorail O&M costs derive from rail maintenance spending that is 20 percent or more above average. Costs for rail operations are average.

Although WMATA's unit costs to deliver service are mostly average, it has delivered high levels of both bus and rail service considering the level of ridership. In FY2015, bus service hours per 10,000 passenger trips were 25 percent above average, and rail service hours per 10,000 passenger trips were 22 percent above average. Bus service levels per rider have been high going back at least 15 years. For rail, high service levels per rider emerged mostly after 2009, as service kept expanding while ridership fell. In 2017, WMATA reduced train frequencies significantly and this should bring rail service levels closer to average. Corresponding changes to bus service were more limited.

Two labor policies that contribute to cost were found to be outliers. On average, WMATA's hourly employees contribute 3.1 percent of wages to pension, where the national average among all workers in defined benefit plans is 7.1 percent. In addition, WMATA's unionized employees count overtime earnings in determining post-retirement pension payments. Changing these policies would generate savings, although it should be noted that WMATA's all-in labor costs per hour were average even with these policies in place.

Funds Paid by State and Local Governments in the Region. Under the WMATA compact, any costs not covered by federal grants, fares or other internally-generated revenues are paid by the region's jurisdictions. Even though WMATA's O&M costs are average for a large transit agency, these state and local payments have been growing rapidly, at nearly 10 percent per year. This steep increase in payments is caused almost entirely by four factors:

- The cost of buying new railcars;
- Increased spending on rehabilitating the WMATA rail system;
- Growth in WMATA's contributions to pension plans; and
- A large revenue decline due to falling ridership.

After accounting for these factors, all other WMATA costs grew at around three percent per year.

Board Operations. With 16 members, WMATA's board is large. The average transit agency board has nine members. The WMATA board has nine committees or subcommittees, tied for the highest number among large peer transit agencies. Recent efforts to streamline the committee structure have not been successful. The WMATA board also has many meetings – there were 85 board, board committee and board subcommittee meetings between June 1, 2016 and May 30, 2017.

WMATA's board includes elected officials, a trait it shares with 22 percent of transit agency boards. However, because of the way WMATA is funded, the elected officials on its board could be characterized as 'dual fiduciaries' – that is, accountable for the financial health of both WMATA and a local government that makes payments to WMATA. This arrangement is very rare at other large transit agencies, which are mostly supported with dedicated taxes.

Opportunities for Improved Financial Performance. This report estimates the effects of six measures to improve WMATA finances. In dollar terms, the largest is a return of rail ridership. Metrorail ridership declined 14 percent between FY2015 and FY2017, while other U.S. heavy rail systems saw a decline of just two percent. Returning to FY2015 levels (minus the effects of this broad national decline) would reduce the need for operating subsidies by as much as $57 million per year. WMATA's customers are its biggest funder.

The WMATA bus system is ripe for a major reset that would update where and when service is offered. The scenario analyzed for this report yields a subsidy reduction of as much as $38 million per year, through a combination of reduced costs and increased revenues. Bringing employee contributions to pension up to the national average could be expected to yield $25 million per year. Other changes – decreased fare evasion, more advertising, and lower absenteeism – could yield an additional $35 million per year combined.

Implementing these measures would take several years, and achieving full results on all fronts simultaneously would be difficult. Nonetheless, it is reasonable to estimate a possible reduction in expected operating subsidies of at least $40 million per year after several years. As described below, such a reduction in operating payments by the region's jurisdictions would allow for funds to be shifted to capital needs.

Need for Capital Investment. Metrorail opened in 1976, and many of its components began to reach their 30-year useful life around 2006. An increase in capital funding would have been appropriate at this point. Unfortunately, new federal funds under the Passenger Rail Investment and Improvement Act (PRIIA) were not approved by Congress until FY2009, and did not flow to WMATA until FY2011. It took even longer for WMATA to ramp-up spending. In FY2017, capital investment finally reached a level sufficient to stabilize the system, but the decade-long lag between growing need and lower-than-necessary investment helped create a backlog of deteriorated assets currently estimated at $7 billion. In addition, as each year passes additional assets wear out and must be renewed. From FY2018 to FY2026, this ongoing need is estimated at a further $1.1 billion per year.

To estimate the funding needed to cover all these state-of-good-repair needs, a financial model of WMATA's capital program was developed out to 2040. It estimates that WMATA would require additional capital funds of $540 million per year above current contributions from its federal, state and local funding partners. If savings to the operating budget of $40 million per year are achieved as stated above, this need could be met with $500 million per year in new capital funding. This funding would cover only WMATA's state-of-good-repair needs; any expenditures to enhance the system would require supplemental funding.

To eliminate its state-of-good-repair backlog in a timely manner, WMATA would need to pledge a large portion of new revenues to back new borrowing, estimated by the model at $5.9 billion. For this reason, new funding would need to be dedicated in a manner adequate to secure bonds.

ORIGIN AND METHODOLOGY

In February, 2017, the Commonwealth of Virginia enacted a requirement calling for "an objective review of the operating, governance and financial conditions" at WMATA. The review was required to "compare WMATA to other rail transit systems in the United States". (Conference Report for House Bill 1500, Item 436#3c, 2017.) The Virginia Department of Rail and Public Transportation then contracted with the global consulting and engineering firm WSP to perform the analysis. This report presents the results of this analysis.

The primary source of information used was the National Transit Database (NTD). This database is maintained by the U.S. Department of Transportation's Federal Transit Administration (FTA) and contains data reported by all transit agencies in the U.S. that receive federal funds. At the time this report was prepared, the latest year of NTD data for all agencies was 2015.

This report compares WMATA to eight other large transit systems: the New York Metropolitan Transit Authority (NYMTA); the Chicago Transit Authority (CTA); the Los Angeles County Metropolitan Transit Authority (LAMTA); the Massachusetts Bay Transportation Authority (MBTA); the Southeastern Pennsylvania Transportation Authority (SEPTA); New Jersey Transit (NJT); the San Francisco Bay Area Rapid Transit District (BART); and the Metropolitan Atlanta Rapid Transit Authority (MARTA). Unless otherwise noted, WMATA Metrorail is benchmarked against the heavy rail systems of seven of these eight agencies; NJT is excluded because it operates commuter rail and light rail but not heavy rail. WMATA Metrobus is also benchmarked against seven systems; BART is excluded because it has no bus system.

CONTENTS

PART 1. COMPARISON TO OTHER LARGE TRANSIT AGENCIES

Workforce

During its fiscal year 2017 (July 1, 2016 to June 30, 2017) WMATA had 13,032 authorized positions. Actual employment levels fluctuate below the authorized level during the year due to ebbs and flows in hiring, retirements and other factors. As shown in Figure 1, authorized staffing levels increased from FY2010 to FY2017, with some of this growth associated with the opening of the Silver Line Phase 1 in 2014. For FY2018, authorized staffing levels were reduced by 1,000, with some of the decrease coming from elimination of unfilled positions.

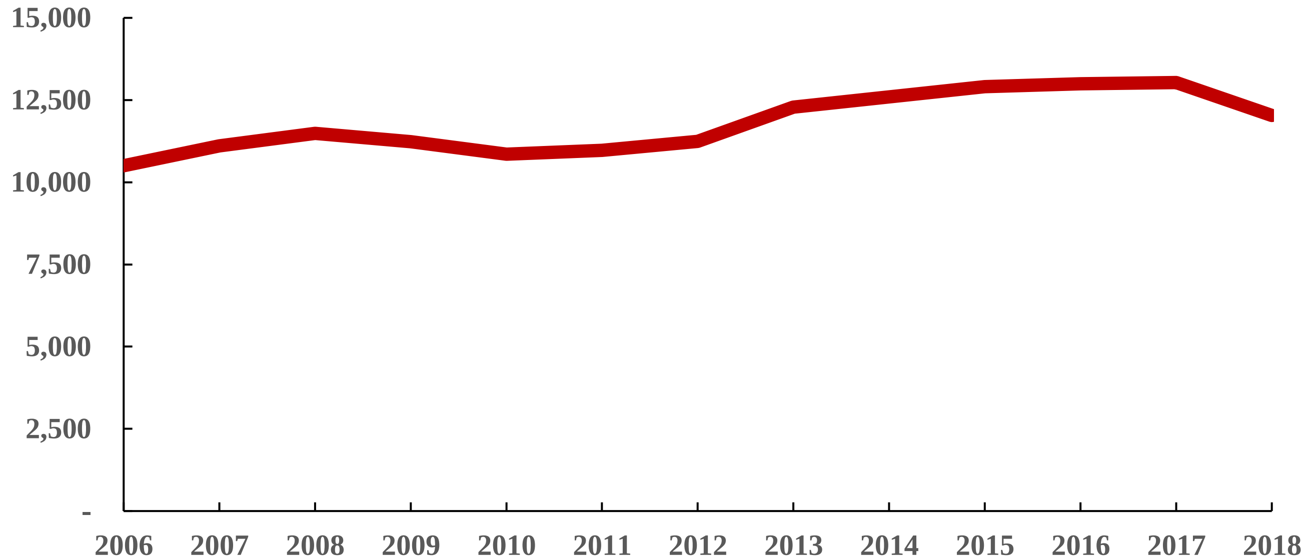

Figure 1. Total approved headcount for WMATA, FY2006 - FY2018. Source: WMATA.

Like most U.S. transit agencies, WMATA's labor force is heavily unionized; 82 percent of employees belong to a union and 18 percent do not. Union representation is divided among five union locals, the largest being the Amalgamated Transit Union (ATU) Local 689, representing 66 percent of WMATA employees.

Wages for WMATA's unionized employees are set through collective bargaining. The last two collective bargaining agreements with ATU Local 689 led to a slight increase in the value of wages. Between 2008 and 2017, ATU Local 689 employees were granted wage increases averaging 1.9 percent per year after accounting for employee contributions to pension. During this period, Washington DC area inflation averaged 1.4 percent per year. As a result, real wages for these employees grew at 0.5 percent per year on average, and in 2017 net wages were four percent higher than in 2008. Most of this net increase accrued between 2014 and 2017, a period when inflation was particularly low. Net annual wage increases granted in these years of low inflation were similar to increases granted in prior years.

Wage and salary levels heavily influence the agency's total cost in delivering service. Figure 2 (next page) compares the all-in cost of WMATA's workforce to its peer transit agencies on an hourly basis, including all salary, wage and fringe benefit costs for both labor and management. In some years WMATA's costs were slightly above the peer average, and in some years they were slightly below. Overall, WMATA's hourly labor costs have been consistently average or close to it.

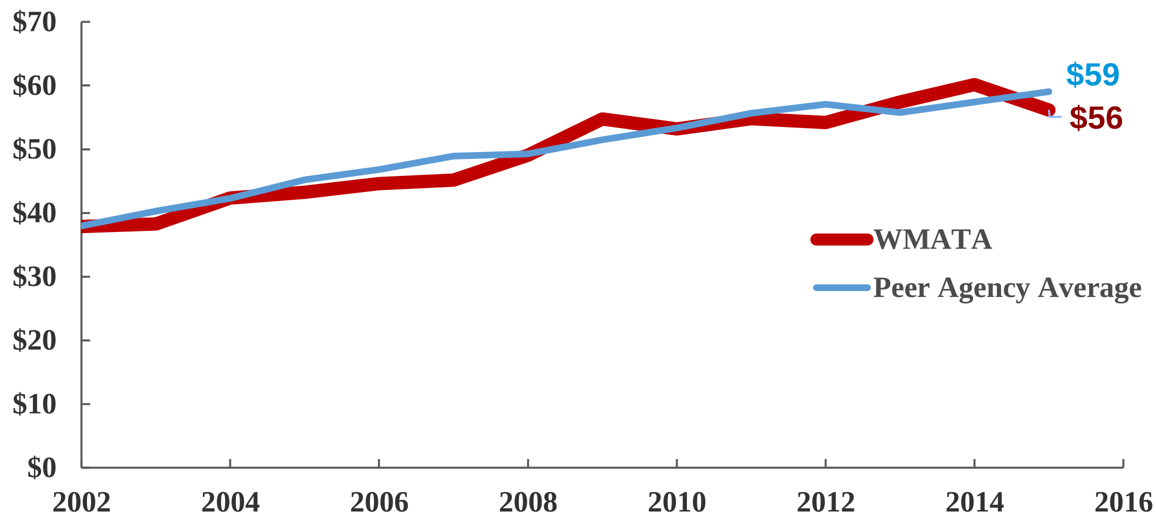

Figure 2. Total cost of wages, salaries and fringe benefits per hour worked, WMATA vs. large peer transit agencies. Source: NTD.

WMATA employees are not allowed to strike. Instead, union employees are subject to binding arbitration if labor and management cannot reach agreement. It has been suggested that a regime giving labor the right to strike and eliminating binding arbitration could lead to lower agency costs. To test this hypothesis, all-in labor costs per hour at agencies that allow strikes were compared to those same costs at no-strike agencies. No difference in labor costs between the two groups was found.

One additional method was used to assess personnel costs. Compensation at each agency, not including fringe benefits, was compared to its region's cost of living. (Cost of living was determined using the Economic Policy Institute's estimate of the cost for one adult and one child to "attain a modest yet adequate standard of living" in various regions of the country.) The average WMATA employee earns 106 percent of the DC region's cost of living, which makes WMATA average among peer transit agencies (Figure 3).

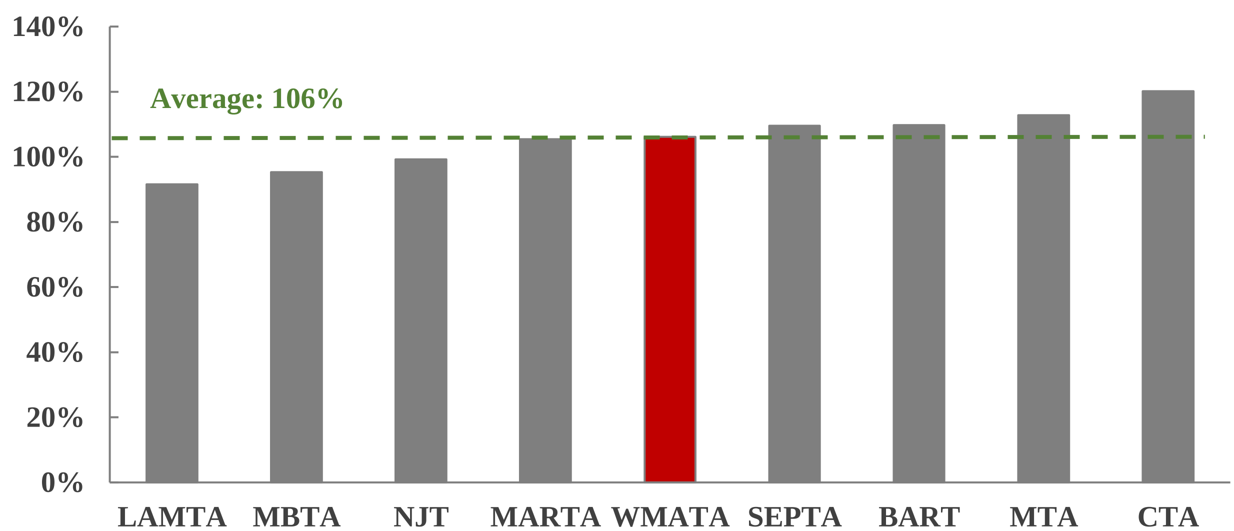

Figure 3. Average wage of transit employees as percent of a region's cost for one adult & one child "to attain a modest yet adequate standard of living", 2015. Sources: NTD; Economic Policy Institute.

WMATA maintains two notable labor policies that were found to be outliers. First, hourly employees contribute an average of 3.1 percent of wages to pension, where the national average reported by the Bureau of Labor Statistics for all workers in defined benefit plans is 7.1 percent. Second, WMATA's unionized employees count overtime earnings in determining post-retirement pension payments. Some public agencies allow this and some do not.

These two items should be viewed in context. First, even with these policies in place, WMATA's all-in labor costs per hour have been average among peer transit agencies. Second, WMATA's method of calculating base retirement payments is slightly less generous than an average of 20 selected local agencies. As shown in Figure 4, the WMATA retirement formula pays an employee retiring at age 62 with 30 years of service 55 percent of their final annual salary. The average paid by the 20 city and county governments shown in Figure 4 is 60 percent.

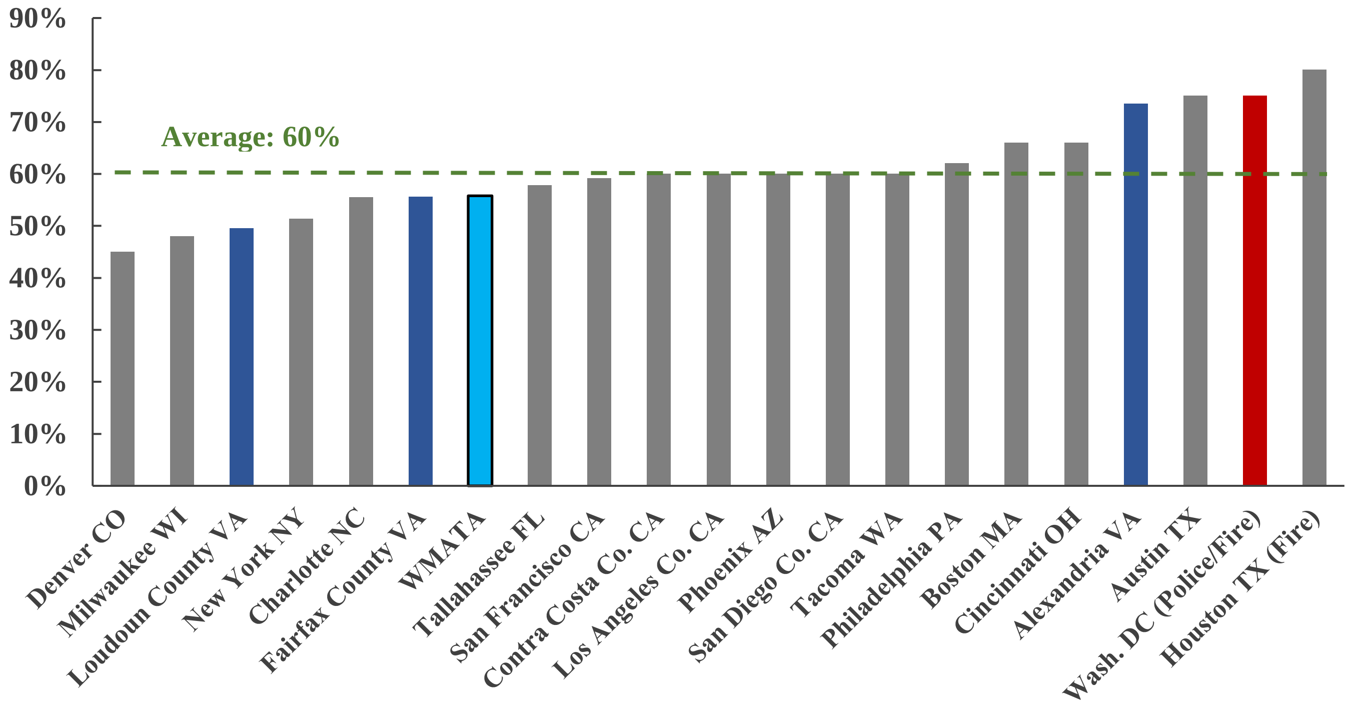

Figure 4. Retirement payments as a percent of final annual salary for an employee with 30 years of service retiring at age 62. Source: Center for State & Local Government Excellence; "Retirement Benefit Decisions by City and County Governments"; WMATA labor agreements.

Pensions

WMATA maintains defined benefit pension plans for most of its unionized employees. Under these plans, employees earn credit based on years of service and final annual salary, and receive benefits after they retire. WMATA management employees are in a defined contribution plan, similar to a 401(k).

Like most government agencies, in recent years WMATA has seen both pension liabilities and annual pension contribution amounts escalate. Several factors are at play.

- People are living longer and this leads to increasing pension liabilities. The expected lifespan of the average American adult has increased by around two years in the last 25 years, which represents more than a 15 percent increase in expected life span after the normal retirement age of 65.

- Most pension payouts to retirees are generated by investment returns on accumulated pension assets. When investment returns are strong, the burden on employers and employees to fund the pension is reduced. Inconsistent investment returns from early 2000s through the recent financial crisis led to increasing demands on employers to make pension contributions out of annual budgets.

One measure of pension health is the 'funding ratio', which represents the total expected value of a pension fund's assets compared to its total expected payouts. Ideally, pension funds should be 100 percent funded, but in practice this is not usually the case. Pensions tend to achieve a 100 percent funding ratio in periods of high investment returns, and fall below 100 percent when investment returns are weaker. As shown in Figure 5, WMATA's pensions were 77 percent funded on average in 2015. This placed them on par with -- or slightly above – both the national average for public pensions (75 percent funded) and major pensions in Maryland and Virginia. DC's two remaining defined benefit pensions were stronger.

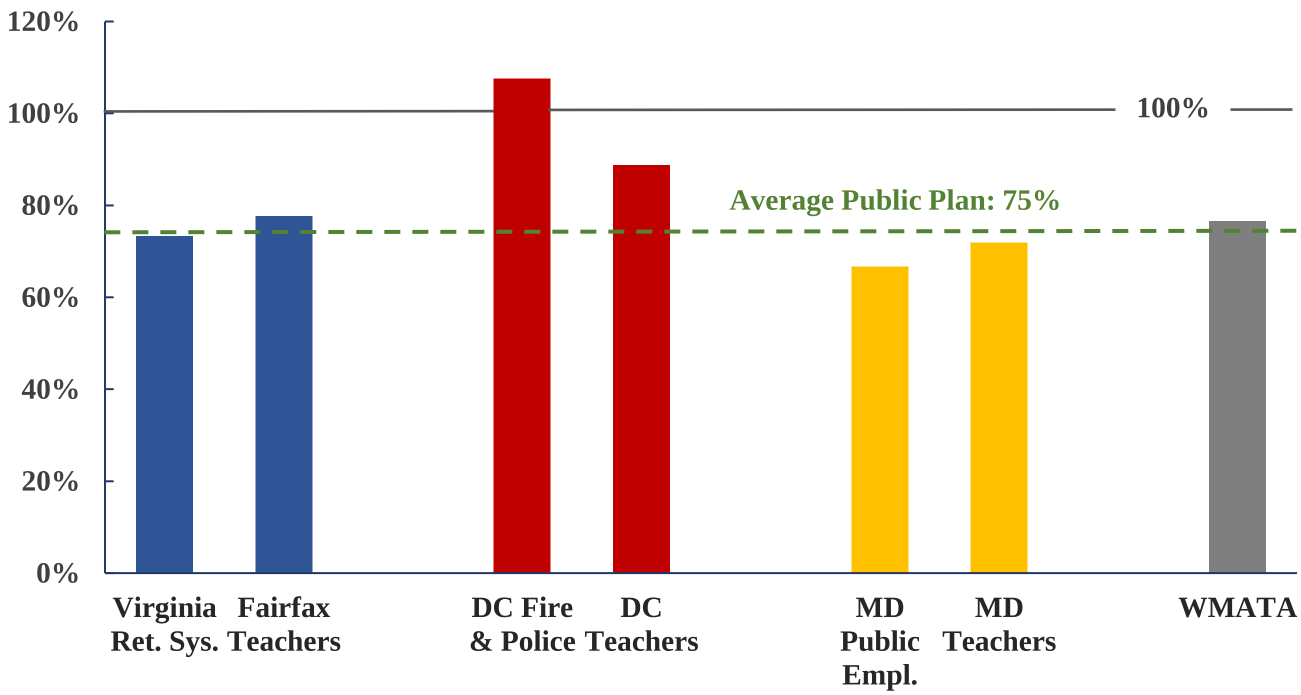

Figure 5. 2015 funding ratios for WMATA pension plans and selected DC, Maryland and Virginia plans. Source: Boston College Public Pension Plan Database; WMATA.

Although escalating contributions to pension have been a major cost item for WMATA in recent years, contribution amounts have stabilized since 2015. This is partly due to new employee contributions to pension arising from the last labor contract cycle, and partly due to stronger investment returns. Employee contributions to pensions dating from WMATA's founding were terminated as part of a labor agreement in the 1980s, and were finally restarted in 2015. In sum, although WMATA has pension problems, there is no evidence these problems are out of character with the similar challenges faced by many other public agencies.

Safety and Security

WMATA's performance on several measures of safety and security is presented in Figure 6.

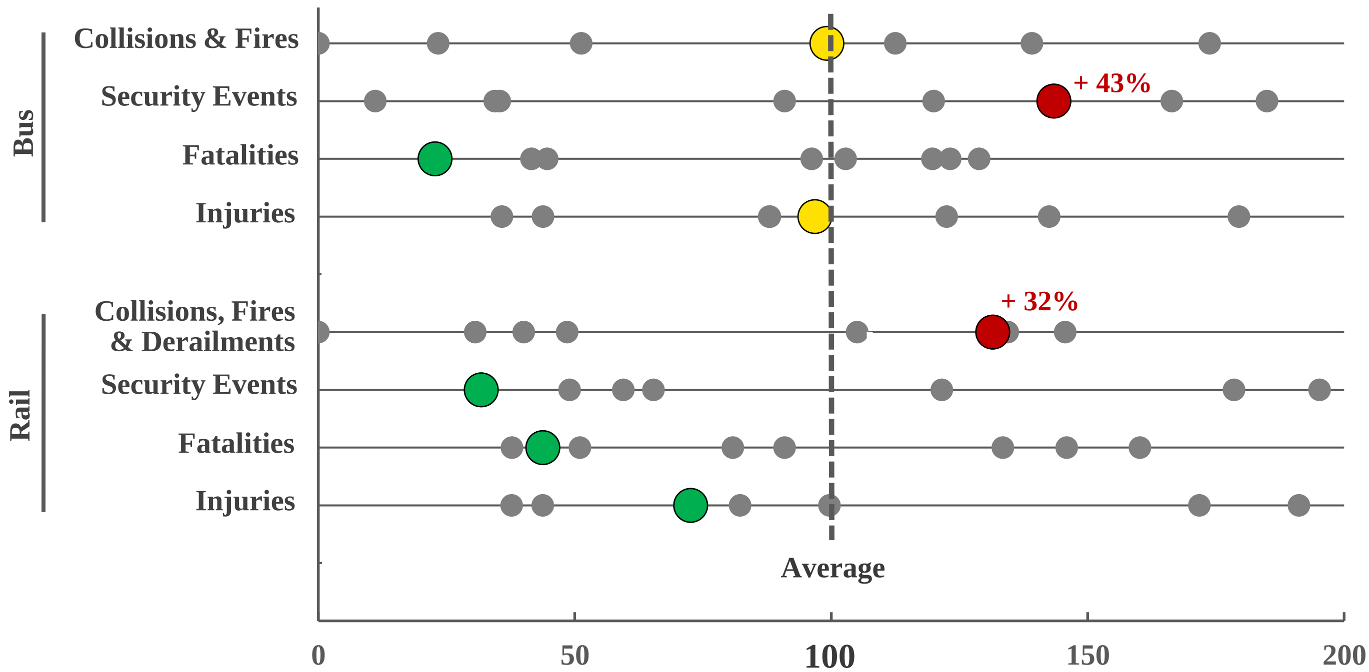

Figure 6. WMATA safety and security events compared to eight peer transit agencies, 2014-2015. Source: NTD.

During 2014 and 2015, WMATA was average or better than average on six out of eight measures, and worse than average on two measures. The number of security events on Metrobus was higher than the average of peer agencies, as were collisions, fires and derailments on Metrorail.

Bus Operations and Maintenance

A common financial measure for transit service is the 'farebox recovery ratio', which measures how much of a service's ongoing operations and maintenance expense is being recovered through fares. In FY2015, fare box recovery for WMATA's Metrobus system was just 23 percent, well below WMATA's peer agencies, which recovered 32 percent of their bus O&M costs on average.

This poor farebox recovery is not due to high costs. WMATA's FY2015 cost to deliver an hour of bus service was average. The components that produce this unit cost are shown in Figure 7, including wages, fringe benefit costs, and the efficiency of both the operations and maintenance workforces.

Poor farebox recovery at Metrobus is due to two non-cost factors. The first is low fares. Until mid-2017, WMATA's bus fare was $1.75, low among its peer agencies. The base fare has since been raised to $2.00, closer to the peer average of $2.16. However, the cost of a weekly pass did not rise and is still $17.50. (Directly comparing real world bus fares between agencies is complicated by the different policies they use to price bus/rail transfers.) The second factor causing low farebox recovery is high service levels given ridership. Hours of bus service offered per 10,000 passenger trips were 25 percent above the peer average.

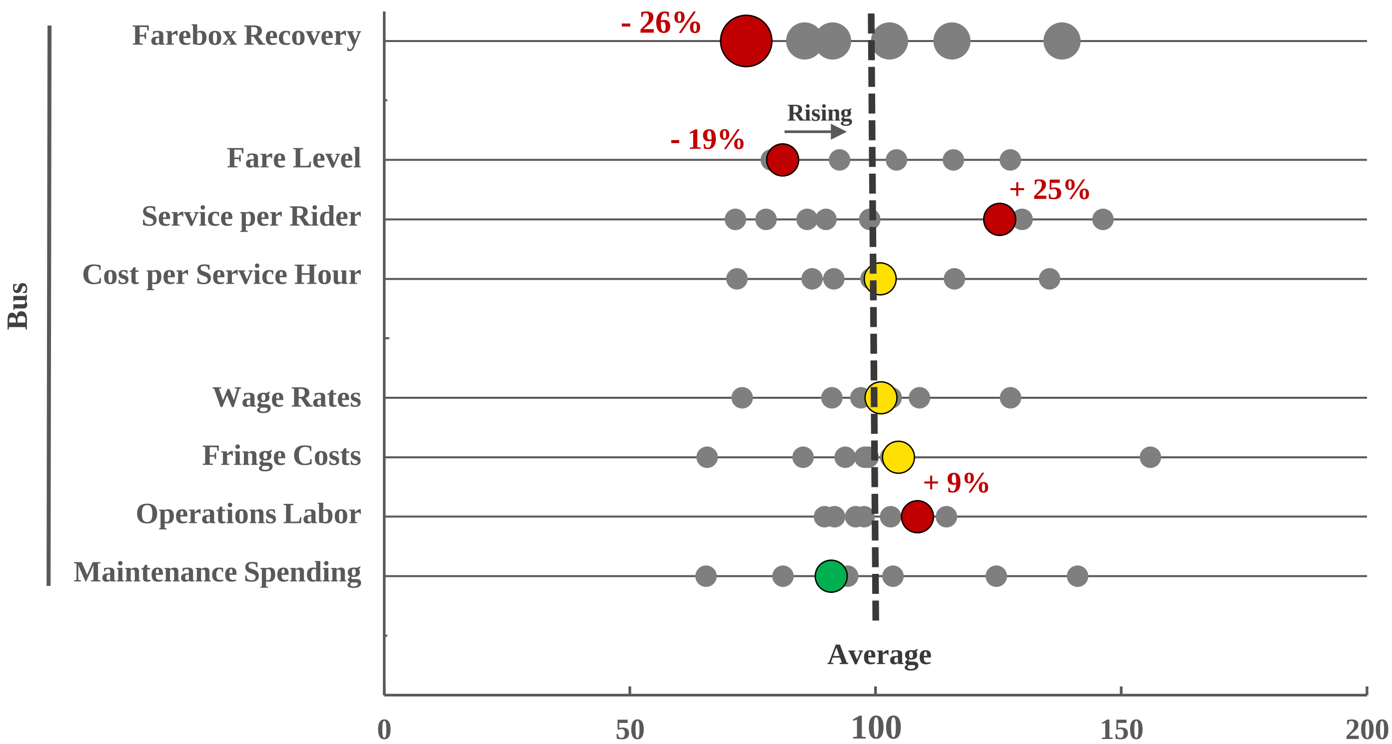

Figure 7. WMATA 2015 bus system performance vs. seven peer agencies. Source: NTD.

Low farebox recovery could be partly caused by fare evasion, but it is difficult to estimate the magnitude of this using publicly available data. Anecdotal evidence suggests that fare evasion has been rising. A consistent pattern of high service levels per rider and low fares on Metrobus has existed for many years. The recent increase to a base fare of $2.00 makes today's Metrobus base fare as high as it has ever been on an inflation-adjusted basis, but still below the average of peer transit agencies.

The indicator labeled 'Operations Labor' depicts the number of labor hours for bus operations and administration that are required to deliver one hour of bus service. The nine percent excess indicates that labor is being used somewhat less efficiently at Metrobus than at peer bus agencies. This is one of the factors supporting the 'bus reset' suggested in Part 2 of this report.

Rail Operations and Maintenance

In contrast to Metrobus, farebox recovery for Metrorail was higher than the peer average in 2015, although declining ridership since then has likely led this figure to drop closer to the peer average.

Higher than average farebox recovery was primarily due to high fare levels compared to other heavy rail systems (shown in Figure 8 as the average fare earned by WMATA per passenger mile of travel.) Service levels on Metrorail were also higher than average – in 2015 WMATA offered 22 percent more rail service per 10,000 passenger trips than the average peer agency heavy rail system. WMATA's operations and maintenance cost per hour of rail service delivered was nine percent above the peer average. This was due to higher than average maintenance spending. Other inputs to unit cost – wage costs, fringe benefit costs and overall operations costs – were average or below average.

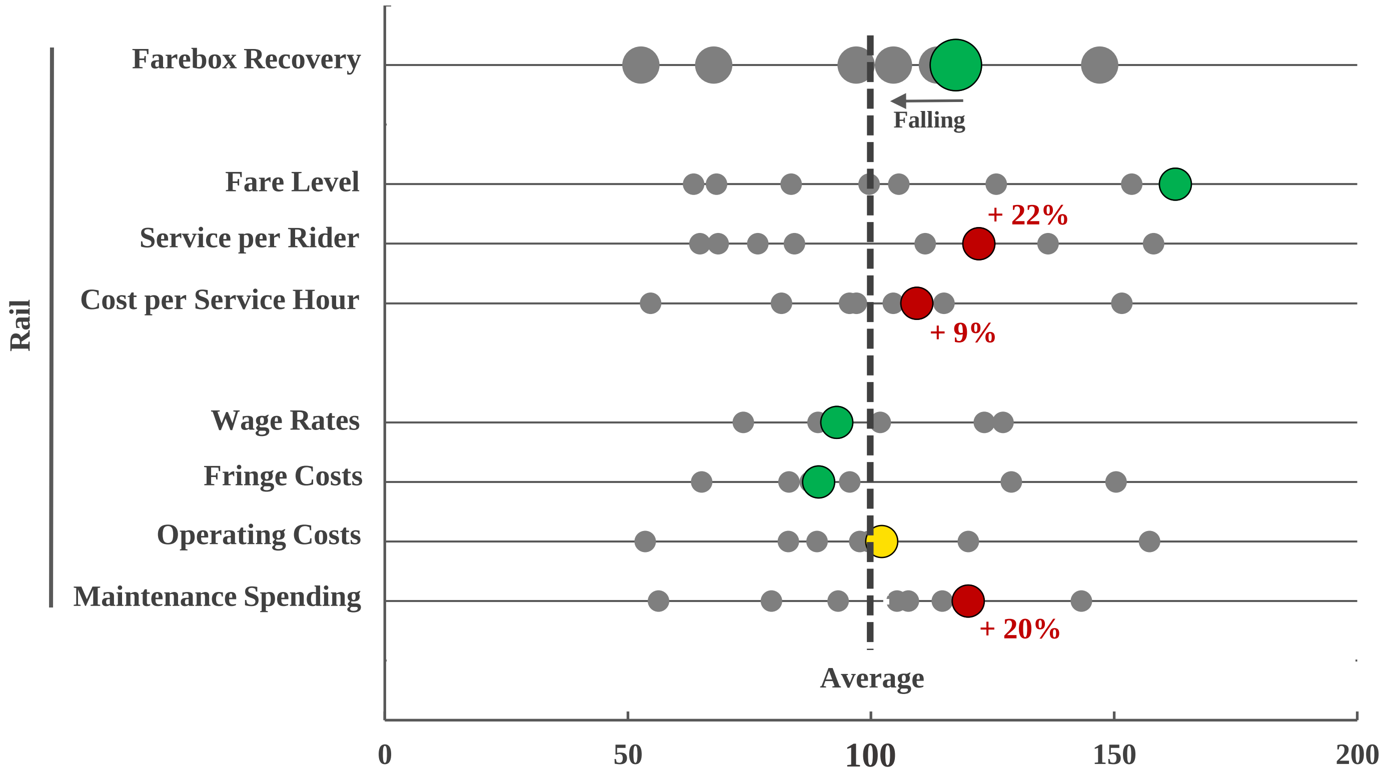

Figure 8. WMATA 2015 rail system performance vs. seven peer agencies. Source: NTD.

Unlike Metrobus, the higher than average level of Metrorail service per 10,000 passenger trips is a relatively recent phenomenon. In 2002, Metrorail's service levels per passenger were exactly average compared to peers. Between 2002 and 2009, both ridership and service levels grew. However, since then ridership has been mostly flat or declining, while service levels have continued to rise. The notable increase in service levels in 2015 shown in Figure 9 is mostly the result of the opening of Silver Line Phase 1.

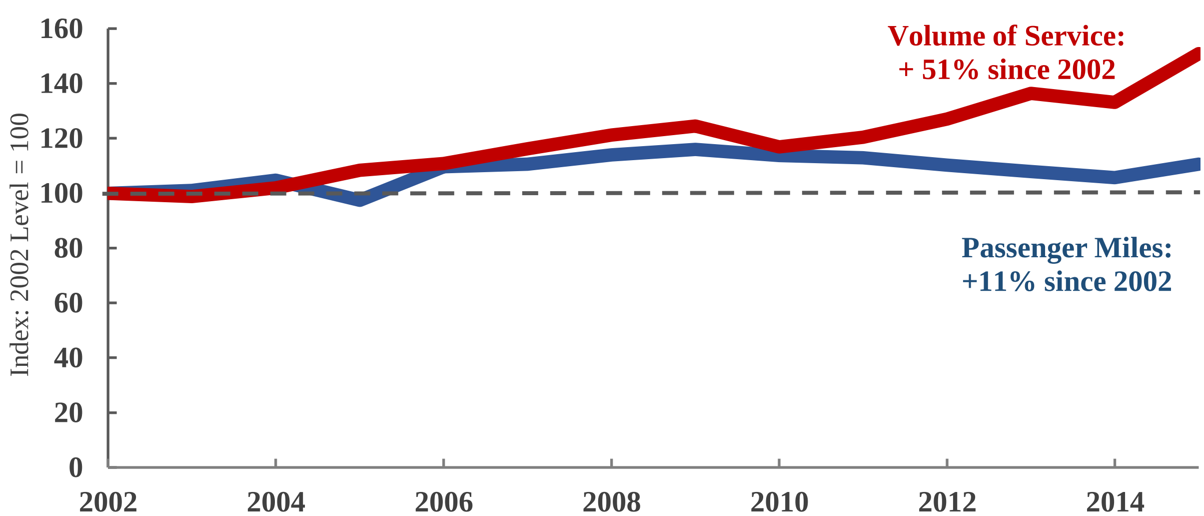

Figure 9. Change in hours of service and passenger miles travelled, WMATA Metrorail. Source: NTD.

Capital Program

WMATA's need for capital investment is determined by the age and condition of its assets. Each asset, from railcars to escalators, has a useful life. Once this useful life is exceeded, the agency must plan to reconstruct or replace the asset. Different types of assets have very different useful lives, but a general rule of thumb is to assume an average useful life of 30 years.

The Metrorail system opened in 1976 and quickly expanded, as shown in Figure 10. In its first 10 years of operation the system grew to roughly 70 miles in length, and today it is over 117 miles long. The original segments of the system began turning 30 in 2006, and today over half the length of the rail system is beyond its theoretical 30-year useful life.

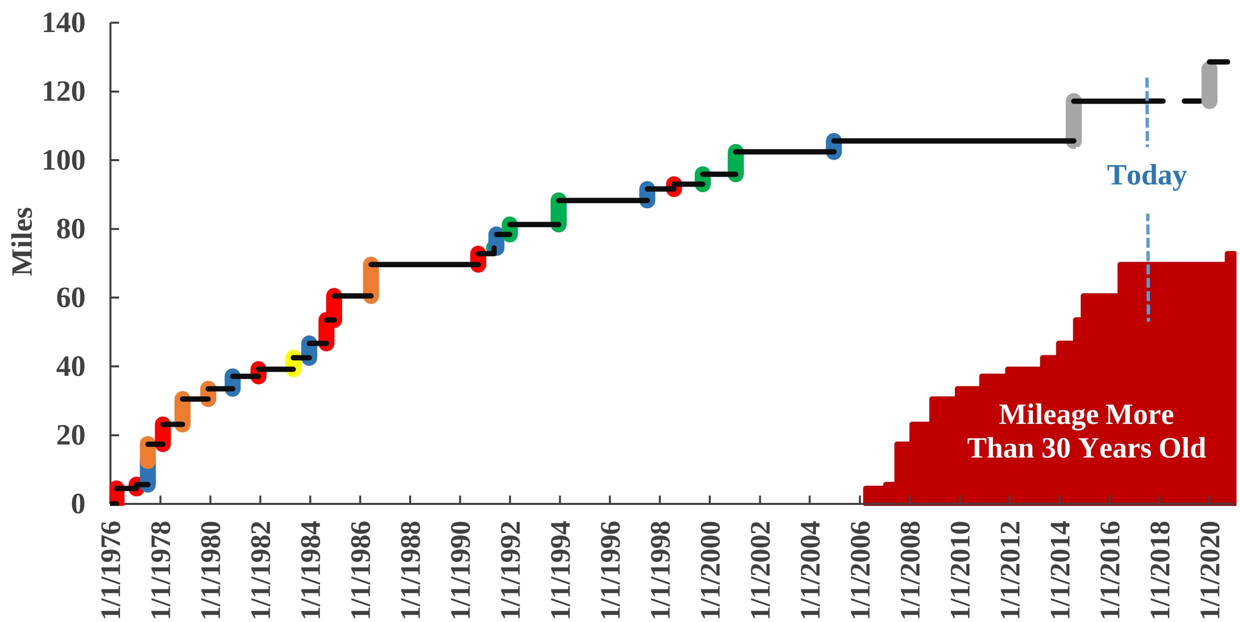

Figure 10. Growth of the Metrorail system since 1976. Source: WMATA.

To address this, an increase in capital investment to a level sufficient to reconstruct or replace assets as they wore out would have been appropriate around 2006. Although it is difficult to determine a correct theoretical investment level, a rough estimate can be made. A recent assessment by WMATA reported the total value of its asset base to be $39 billion. Assuming a 30-year useful life for an average asset, the agency could expect to replace roughly three percent of its asset base each year at a cost of somewhere around $1.2 billion per year.

As shown in Figure 11 (next page), in FY2017 WMATA achieved approximately this level of capital investment and plans to do so again in FY2018. However, this level was only recently achieved. The gap between necessary investment and actual investment in the preceding decade is a major reason for WMATA's backlog of deteriorated assets with an estimated cost of $7 billion.

During this period, efforts were being made to increase capital funding. As far back as 2005 the need was identified, and in 2008 Congress passed PRIIA, which authorized $150 million per year in new federal capital funds to be matched by an equal amount of new state and local funds. Unfortunately, for various reasons WMATA did not begin receiving these funds until FY2011, and even then had significant difficulty in ramping up spending to utilize the new revenue. The result was a long period of sustained underinvestment.

Although current investment levels are a major improvement over prior years, it is important to note that the levels achieved since FY2016 are not sustainable given current capital funding provided to WMATA by its federal, state and local funding partners. The current baseline of capital contributions by these funders is approximately $800 million per year, well below today's level of actual spending. In FY2016, WMATA drew down unexpended funds from prior years to make up most of the difference, but in FY2017 and FY2018 the capital budget has been sustained by taking on new debt.

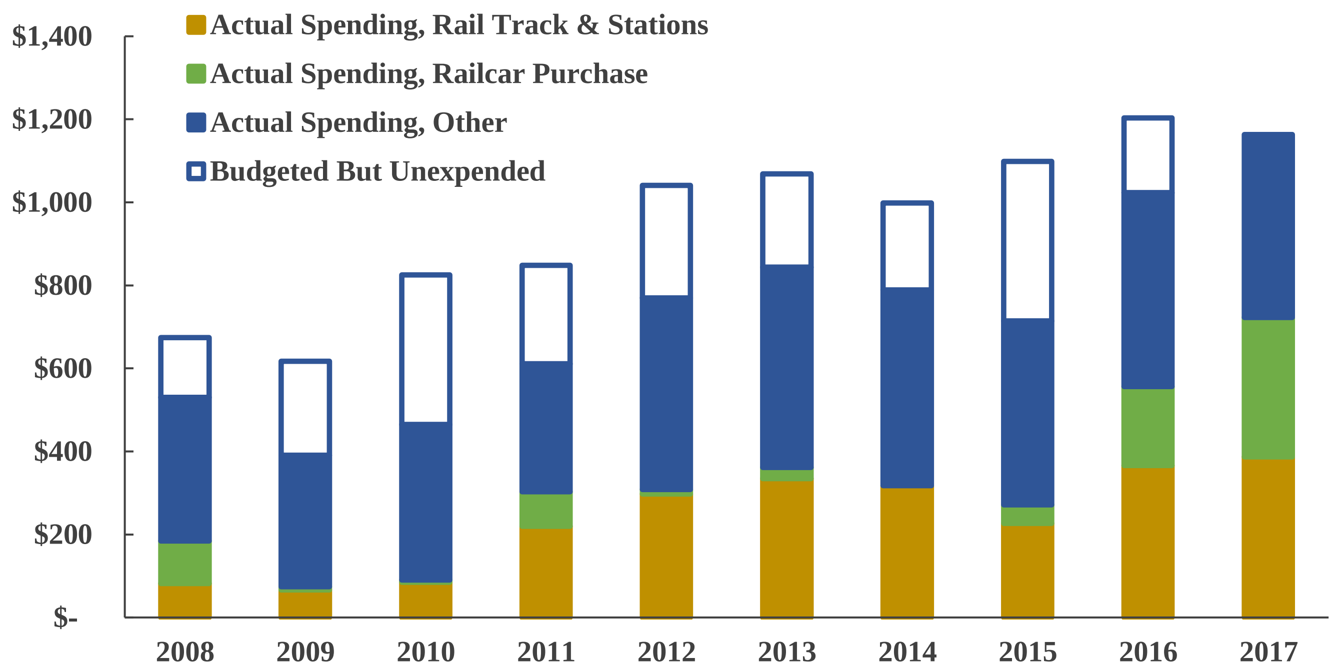

Figure 11. WMATA capital investment, millions of dollars, FY2008 to FY2017. Source: WMATA; WSP calculations.

It will not be possible for WMATA to reduce its backlog of deteriorated assets, or even sustain its current level of investment, without a major commitment of new resources from its funding partners.

Long Term Financial Sustainability

Although WMATA's service delivery costs are generally average for large transit agencies, the level of funds required annually from its state and local funding partners has been growing rapidly, rising at nearly 10 percent per year. As shown in Figure 12, these increases can be traced directly back to four main factors.

- Purchase of new railcars. WMATA is currently replacing a large share of its rail fleet, and expenditures on new railcars rose from zero in FY2014 to over $330 million in FY2017.
- Increased spending on rail system rehabilitation. Investment in the rail system grew by nearly $320 million per year from FY2009 to FY2017.

- Growth in contributions to pension plans. WMATA's contributions to pension have grown by more than $150 million per year since FY2007. After growing rapidly for a decade, contribution levels have stabilized since FY2015.
- A large revenue decline due to falling ridership. Revenue from ridership has fallen by $140 million per year.

Aside from these factors, WMATA's other costs have grown at a relatively reasonable three percent per year for the last dozen years.

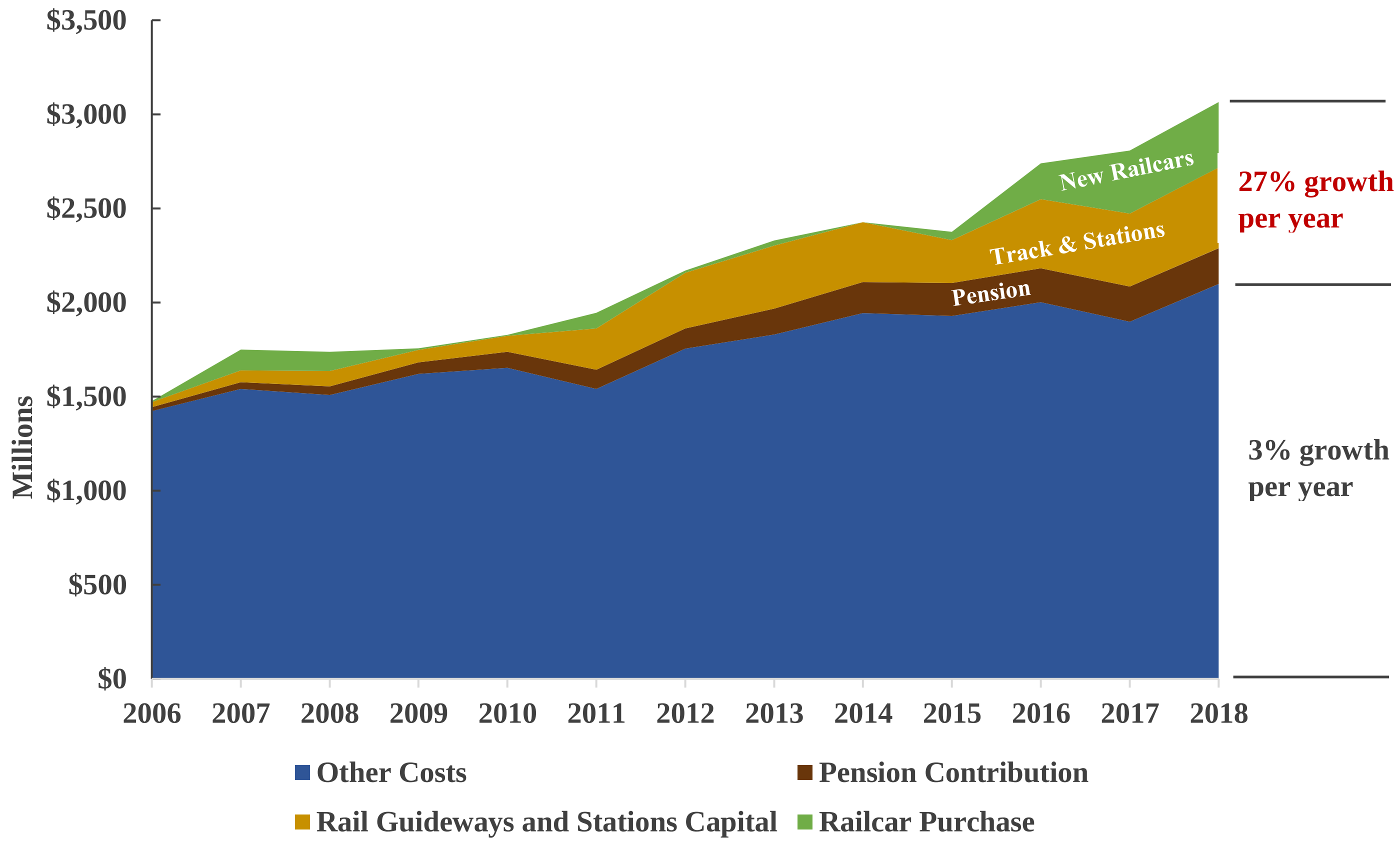

Figure 12. WMATA growth in spending in three major categories vs. all other spending, FY2006 to FY2018. Source: WMATA; WSP calculations.

Within its operating and maintenance budget, WMATA appears to be financially sustainable going forward, although improvements are possible. Several strategies to improve financial outcomes in the O&M budget are described in Part 2 of this report. Under WMATA's proposed budget for FY2019, jurisdictional contributions for operations and maintenance would rise by just three percent. No fare increases are proposed.

Within WMATA's capital budget, spending has risen but must rise even further for the system to achieve a state of good repair. This will not be possible without a substantial increase in the level of capital funding provided to WMATA.

Governance

WMATA's board currently consists of 16 members, eight Principal Members and eight Alternate Members. As shown in Figure 13, WMATA's board is larger than all but one peer agency. The average transit agency board has nine members. No peer agency board has alternate members.

WMATA's board currently has nine board committees and subcommittees, which ties it for the largest number among peer agencies. The WMATA board and its committees and subcommittees meet often. Between June 1, 2016 and May 30, 2017, there were 85 such meetings.

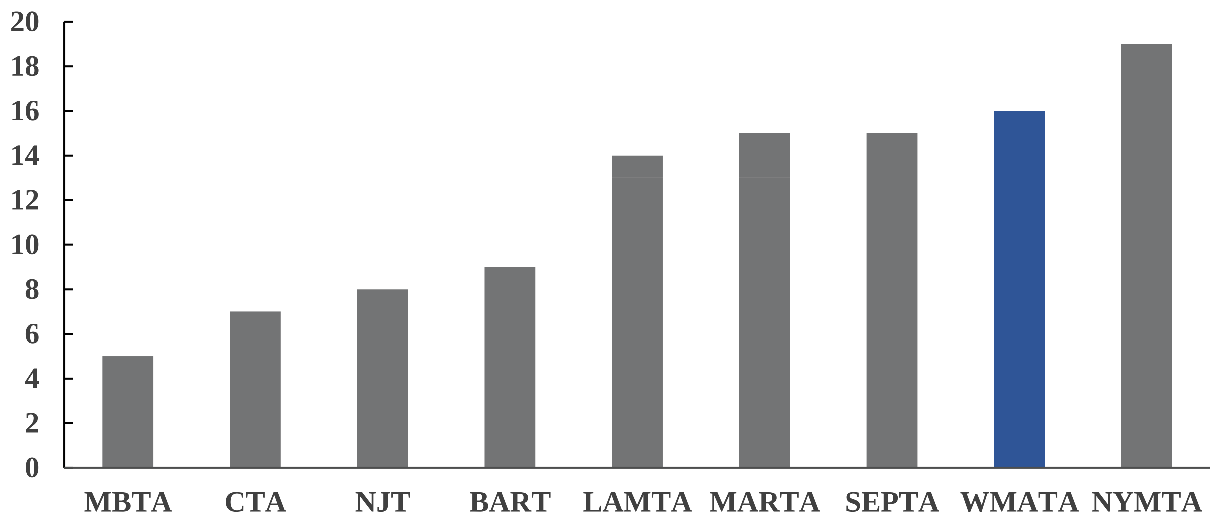

Figure 13. WMATA board size vs. boards at peer agencies. Sources: multiple.

WMATA is unique among peer agencies in giving each board contingents representing one of the three signatory jurisdictions – DC, Maryland and Virginia – a veto over major agency actions. The veto is not exercised often, but anecdotal evidence suggests that its presence nonetheless affects the dynamics of the board. Although none of the peer transit agencies allow a jurisdictional veto, this feature exists at the three other transit agencies in the U.S. that operate under Interstate Compacts: the Port Authority of New York and New Jersey, the Delaware River Port Authority in the Philadelphia region, and the Bi-State Development Agency in the St. Louis region.

WMATA's board includes local elected officials from the region, currently four of the 16 members. Arrangements of this type exist in 22 percent of transit agencies. However, in most of these cases there is a key difference. Where a transit agency is supported directly by dedicated taxes, any elected officials on the board can avoid the awkward position of both requesting funds on behalf of the transit agency and responding to this request on behalf of their home jurisdiction. This so-called 'dual fiduciary' status exists for WMATA's elected official board members. Among peer agencies, only one board member at one other agency has a similar status.

These features of the WMATA board present governance challenges over and above those faced by other transit agencies. With members often appointed to the board with the explicit understanding they will represent their home jurisdiction's policy, operational and financial preferences, WMATA faces major challenges in sustaining both a unified vision for the agency and clear parameters under which management can pursue such a vision.

PART 2. RECOMMENDATIONS

Measures to Reduce Operating Deficits

Figure 14 shows upper bound estimates for the possible financial impact of selected operating deficit reduction measures WMATA could pursue over the next several years. Each measure is described below.

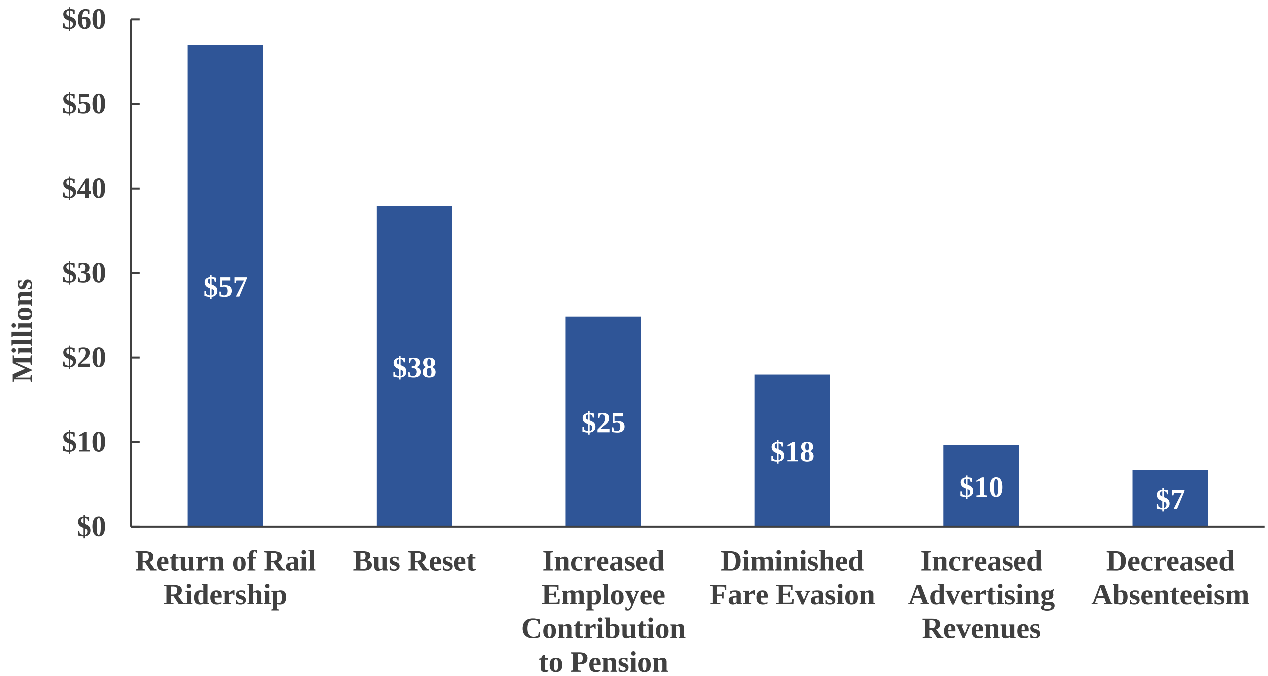

Figure 14. Upper bound estimates for the value of measures to reduce WMATA operating subsidies, in millions of dollars per year at full phase-in. Source: WMATA budget data and WSP analysis.

– *Return of Rail Ridership.* In FY2017 Metrorail ridership was 14.3 percent below FY2015 levels. During this same period, ridership at other U.S. heavy rail systems was also down, but by just 1.9 percent. With WMATA's SafeTrack program of rail system closures now concluded, service reliability is expected to improve, and this opens the possibility that riders who fled the system may begin to return. The scenario depicted here shows the financial effect of Metrorail ridership rising back to a level that is 1.9 percent below the FY2015 level. This is estimated to produce $76 million in new fare revenue and generate $19 million in new costs to run more frequent trains to carry the returning riders. The net benefit to the WMATA O&M budget would be $57 million per year.

  WMATA cannot compel riders to return, and if they do return of their own volition a recovery would likely take several years. Ridership is influenced by many factors, including gasoline prices and the regional economy, but service reliability was a major factor in the loss of riders and will have a large effect on their return. The point of showing this scenario is to focus attention on the how large the effects of changes in ridership can be on agency finances. WMATA's customers are its biggest funder.

– *Bus Reset.* WMATA is among the many transit systems experiencing flat or declining bus ridership, but its difficulties go beyond this. As shown in Figure 7, bus service levels per unit of ridership at WMATA were 25 percent higher than the peer average in 2015. There are several possible explanations for this.

WMATA could be running service on low-performing routes; its bus garages could be in locations that result in long hauls where no passengers are carried; its route structure could be out of date given changing patterns of demand; fare evasion could be masking the actual level of ridership. Each of these could play a role, or all could, but the depth of analysis necessary to understand the source of WMATA's difficulties was not possible for this report.

Nevertheless, a rough estimate was made of the possible financial consequences of a more efficient Metrobus system. The scenario presented here includes several elements. It assumes that bus fares are raised by 10 cents to $2.10, closer to but still below the average base fare among WMATA's peer agencies. In addition, the scenario assumes that WMATA can achieve a five percent reduction in Metrobus operating costs through more efficient routing or other service adjustments or operating practices. In total, this scenario could result in a reduced need for operating subsidies of $38 million per year once fully phased in. The analysis assumes that higher fares and adjusted service could trigger some reduction in bus patronage, but the goal should be the opposite – more efficient operations that both benefit riders and reduce WMATA's need for operating subsidies.

This analysis is presented not to endorse specific bus service changes, but to illustrate the magnitude of the issue. Determining exactly how to adjust Metrobus service will require detailed analysis, so WMATA should consider undertaking a 'bus reset'; that is, a comprehensive bus service study looking at routing, schedules, bus garage locations, work practices and the other major attributes of the bus system. As this report was being finalized, WMATA announced it would be undertaking "a study to overhaul its bus network" that appears similar to what is recommended here.

- *Increased Employee Contribution to Pension***.** According to the Bureau of Labor Statistics, the average U.S. worker in a defined benefit pension plan contributes 7.1 percent of their salary to pension. The average member of WMATA's unionized workforce contributes 3.1 percent of salary. (Most contribute three percent, but Transit Police, who operate under their own contract, contribute 7.3 percent.) Raising employee contribution levels to the national average would reduce WMATA's need for operating subsidies by $25 million per year. Pension contribution amounts are set contractually between management and unions, and so making this change would require a change to current WMATA contracts either through negotiation or arbitration.

- *Diminished Fare Evasion.* Very little reliable information exists about the extent of fare evasion at WMATA. Nevertheless, a rough estimate of its fiscal impact was made. This scenario assumes that fare evasion deprives WMATA of five percent of potential revenues from bus and rail fares, and that stricter enforcement and other measures could cut this loss by 50 percent. An estimate of the incremental cost of undertaking such enforcement measures was not made. Under this scenario WMATA could reduce its required O&M subsidies by $18 million per year.

- *Increasing Advertising Revenues.* In 2015, WMATA's advertising revenues were proportionally the lowest among the large transit agencies studied. Advertising revenues were highest at the Chicago Transit Authority (CTA) at 1.84 percent of total O&M costs, while WMATA's advertising revenue was equal to only 1.32 percent of O&M costs. Were WMATA to increase advertising revenues to CTA's level, roughly $10 million per year in additional funds could be generated.

- *Decreased Absenteeism.* When a worker fails to show up for their shift, someone else must be found to perform the work. This often leads to replacements working more than eight hours in a day or more than 40 hours in a week, which triggers overtime pay. In 2016, approximately 940,000 labor hours were missed due to three categories of absenteeism – sick leave, unpaid leave and absent without leave. The scenario depicted in Figure 14 shows the cost savings to WMATA due to lower overtime costs if absenteeism due to sick leave were reduced by 20 percent from 2016 levels and the other two categories were reduced by 15 percent. Savings are estimated to be $7 million per year.

Implementing these measures could be expected to take several years, and achieving full results on any of them, let alone all simultaneously, would be difficult. Nonetheless, it seems reasonable to expect that a reduction in expected operating subsidies of at least $40 million per year could be achieved after several years. If operating subsidies from the region's jurisdictions can be reduced by this amount, this would allow for a corresponding increase in capita payments to WMATA that could be used to address the agency's large capital backlog.

Additional Capital Funding

To assess the adequacy of WMATA's current sources of capital funding, a model of WMATA's state-of-good-repair needs and capital funding sources was developed out to 2040. This model projects that current pledged capital revenues from federal, state and local sources will average approximately $830 million per year between FY2018 to FY2026, assuming Federal PRIIA funding continues at the current level. This baseline of current capital funding is shown in dark blue in Figure 15 (next page).

Limiting WMATA's capital program to this level would have dire consequences. Capital investment would fall from the $1.16 billion achieved in FY2017 to a level too low to even cover the new annual needs that will arise each year in the future, let alone tackle the large backlog of need accumulated from past years. If WMATA's capital spending is constrained at the level of current funding commitments, the system's condition will get worse, not better.

The next task was to estimate the level of additional capital funding required to avoid this outcome. The scenario shown in Figure 15 is designed to achieve three goals: 1) fund WMATA's ongoing state-of-good-repair needs in future years as they arise; 2) fully eliminate WMATA's backlog of deteriorated assets as quickly as possible; and 3) pay any debt serivce generated by new borrowing. In performing this analysis the following assumptions were used:

- Only state-of-good-repair costs were considered; any system enhancements would require other funds. (WMATA's 2016 Capital Needs Inventory shows $10 billion in potential capital projects that are over and above the agency's state-of-good-repair needs.)
- The pace at which work can be accomplished was estimated for five different types of investment: vehicles, guideway, stations, facilities, and systems. For example, it was assumed that spending on vehicle purchases could ramp up quickly once new funding arrives, while work on guideway and stations would be more constrained due to the need to continue carrying passengers.
- New funding was assumed to start on January 1, 2019.
- Federal PRIIA funds were assumed to continue at $150 million per year.
- Federal transit formula grants were assumed to grow at 1.5 percent per year.
- Construction costs and tax revenues were both assumed to grow at two percent per year.

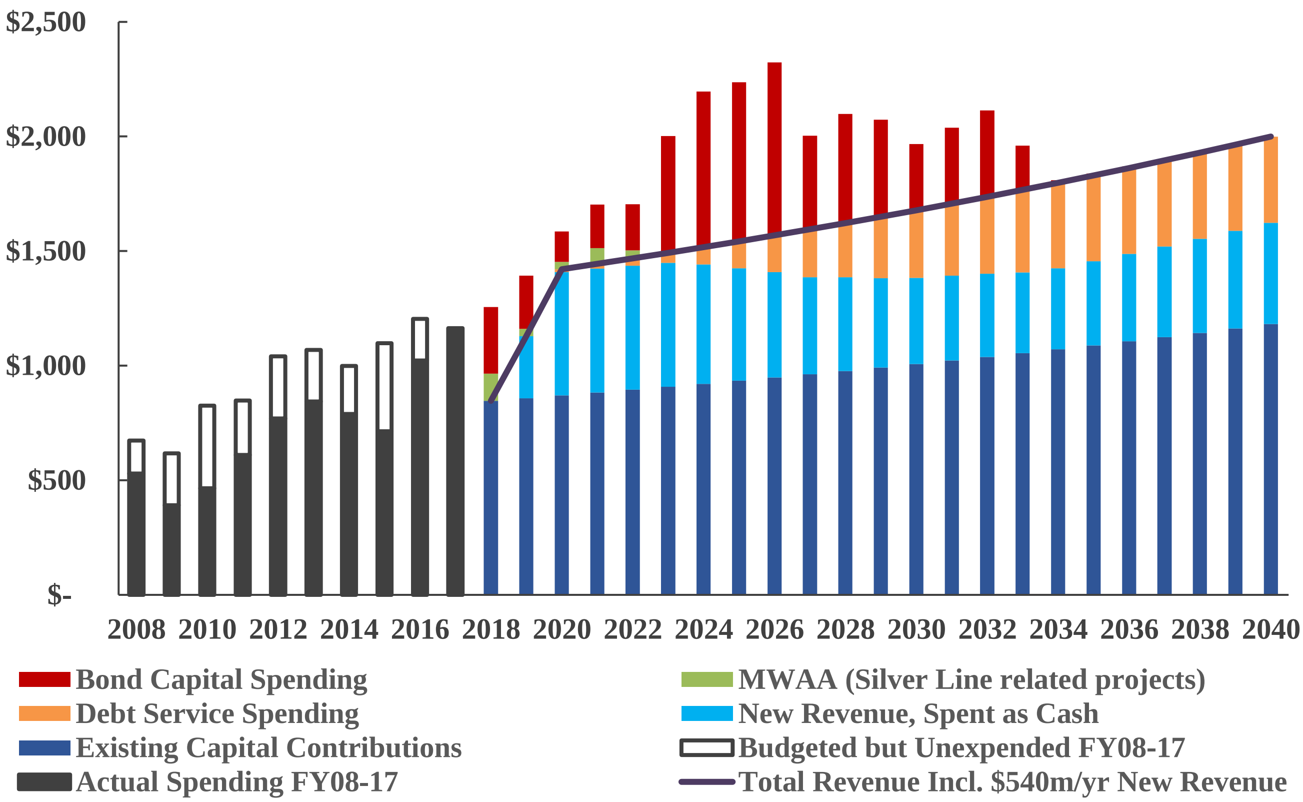

Figure 15. Model of WMATA capital spending with additional revenues, millions of dollars. Source: WSP.

Based on these parameters, it was determined that $540 million per year in new capital funding (dark line in Figure 15) would be needed. Some of the new funds would be spent as cash on a pay-as-you-go basis (light blue) while some would be used to support new borrowing. Bond proceeds expended each year are shown in red, and debt service on this borrowing is shown in orange. Spending would be highest in the FY2024 to FY2026 period as a new round of vehicle replacements takes place; after this it would decline slightly as backlog projects for guideway and other areas of need where spending is most constrained are completed. The state-of-good-repair backlog would be fully retired in FY2033, and thereafter WMATA would have sufficient funds to prevent a new backlog from developing and pay required debt service.

Strategies that could reduce WMATA's operating subsidies by $40 million per year were described in the previous section, and shifting these payments from WMATA's operating budget to its capital budget would allow the agency to achieve a state of good repair with a new funding source that generates $500 million per year starting in 2019.

To eliminate the state-of-good-repair backlog on this schedule, WMATA would need to borrow an estimated $5.9 billion over and above its current indebtedness. Issuing 30-year bonds would incur debt service costs that peak at approximately $375 million per year, and so most or all of a new revenue source of $500 million per year would need to consist of dedicated funding that can be pledged to secure bonds in a manner acceptable to bond rating agencies and bond purchasers.

NORTHERN VIRGINIA TRANSPORTATION COMMISSION

DRAFT DRAFT

The Honorable Terry McAuliffe
P.O. Box 1475
Richmond, VA 23218

Dear Governor McAuliffe:

On behalf of the Northern Virginia Transportation Commission (NVTC), I want to thank you for your leadership and the efforts of Secretary Ray LaHood, Virginia Transportation Secretary Aubrey Layne, the Department of Rail and Public Transportation, and the consultant team in conducting the independent review of the finances, management, and operations of the Washington Metropolitan Area Transit Authority (WMATA). Your recognition of WMATA's value to the Commonwealth and efforts to bolster the agency through reforms and increased funding are greatly appreciated.

NVTC's jurisdictions – the cities of Falls Church, Fairfax and Alexandria and counties of Arlington, Fairfax and, soon, Loudoun – hold the primary obligation for funding WMATA in Virginia. We have a strong interest in the implementation of reforms as they will directly affect the residents, businesses and taxpayers in our jurisdictions. We are also the appointing body for three of Virginia's four WMATA board members.

The recommendations articulated by Secretary LaHood parallel the recommendations of NVTC; we both agree to the pressing need for reforms that will return WMATA to a world class transit system. We agree that board reforms are necessary, that the General Manager should have the tools in place to manage costs and increase productivity, and that WMATA needs the dedicated resources for capital funding, including a dedicated federal funding commitment.

Since the Commission's first meeting with Secretary LaHood in May 2017, NVTC has worked diligently through issues of WMATA governance and operational reforms, leading to the adoption of two NVTC resolutions that provide a framework for reforming WMATA.

The health, safety and reliability of the WMATA system is critical to Northern Virginia and the Commonwealth. The presence of Metrorail alone fuels the economies of Northern Virginia and the Commonwealth, generating millions in property tax revenues for the counties and cities that subsidize it and more than $600 million in annual sales and income tax revenues that go to Virginia's general fund.

Metro is integral to the region's transportation network. More than 500,000 jobs are within a quarter mile of a Metrorail station or Metrobus stop in Virginia. Thirty percent of Metrorail's 665,000 weekday riders live in Virginia and four of the rail system's six lines and 25 of its 91 stations serve Virginia. Metrobus serves between 60,000 and 70,000 riders in Northern Virginia every weekday.

Because of WMATA's important role in Virginia, NVTC has been active in developing recommendations for reforms. Through our engagement with Secretary LaHood and as authorized under Enactment Clause 4 of HB2136/SB1251 (2017), NVTC recently adopted two resolutions articulating our priorities for WMATA reform:

- Resolution #2339 endorses the direction and spirit of WMATA General Manager Paul Wiedefeld's April 2017 Action Plan, which outlines key steps to control operational and capital costs.

- Resolution #2342 articulates NVTC's principles for WMATA governance structure, board member compensation, board composition and experience, fiduciary and other conflicts of interest, as well as changes to the jurisdictional veto. This resolution also includes provisions regarding labor negotiations, pension liability, measures to ensure the safety of riders and employees, and publication of a detailed business plan for implementing operational reforms.

In Virginia, funding for WMATA is also supported by the Commonwealth through subsidies to the localities' contributions to WMATA, as well as through a state match to federal funding. As such, any Virginia representative to a reform board should be jointly appointed by the Governor and NVTC. Such joint action would best support continued cooperation between the Commonwealth and localities in regard to WMATA oversight and offer the best opportunity for community support of the difficult actions a reform board must take to return WMATA to excellence.

NVTC was founded in 1964, in part to represent the interests of the Commonwealth during the establishment of WMATA, and has an ongoing role in managing Northern Virginia's funding of WMATA, appointing Virginia's representatives to the WMATA Board of Directors, and strategic decision-making to find solutions to the challenges facing WMATA. As such, NVTC should continue to participate in the governance of WMATA and be a partner with the Commonwealth on the implementation of WMATA reforms now and in the future.

On behalf of NVTC, I thank you for your leadership and engagement on this important effort. NVTC and its jurisdictions look forward to continued collaboration and partnership with the Commonwealth on the future of WMATA.

Sincerely,

Jeffrey C. McKay
Chairman

cc: Governor-Elect Ralph Northam
Aubrey Layne, Secretary of Transportation
Jennifer Mitchell, DRPT Director

Attachments:
Resolution #2339, Initial Reforms to WMATA
Resolution #2342, NVTC Principles for WMATA Reform

TRANSPORTATION

DuVal and Stephens column: Yes, Virginia: We need a functioning D.C. Metro system

By Barry DuVal and Bryan K. Stephens Nov 22, 2017

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Gov. Terry McAuliffe's parting gift to the commonwealth next month will be a budget proposal that recommends creating a dedicated state funding source for Washington's regional Metro system — a move likely supported by former Secretary of Transportation Ray LaHood, based on the early copy of his report on Metro reforms released last week.

Should Governor-elect Ralph Northam follow LaHood and McAuliffe's lead?

It's a fair question, considering that those of us in Hampton Roads, Richmond, Roanoke, or Bristol may wonder about the hidden return on investing state funds in a transit system used primarily by federal workers, tourists, and citizens in Northern Virginia. The danger, however, is in assuming that what happens in Northern Virginia does not have a direct impact on economic growth and the quality of life across Virginia.

Virginia has more of a stake in Metro's long-term viability than it may seem. The commonwealth's economic future depends heavily on the tax revenue and tourism dollars driven by Metro.

We can thank Metro — along with the Virginia Railway Express (VRE) — for more than $600 million in sales and income tax revenue to the state each year, according to a September report from the Northern Virginia Transportation Commission (NVTC). For every dollar invested by Virginia in Metro and VRE, we receive an impressive 250 percent return, making the investment worth it several times over.

If we allow Metro to decline, the region's annual tax revenue has been projected by some to decrease by as much as $1 billion by 2025. The truth is, if Metro fails, Virginia fails, and our state budget would be crippled. We gain from Metro and VRE tens of thousands of dollars more than what Virginia spends on public safety and higher education combined. Without the tax revenue generated by Metro, what would the commonwealth have to do to fund these two critical programs that impact every part of the state?

Looking to the future, Metro's Silver Line extension has led to plans to develop the surrounding area of Northern Virginia. That brings more jobs and more taxpayers to our state. Already, NVTC's study found that Metrorail and VRE have supported more than 130,000 jobs and 85,000 households in Northern Virginia, all expanding our state's tax base and helping pay for education and public safety across the state.

But it's not just residents paying Virginia taxes. Anyone who's ever attended the National Cherry Blossom Festival has seen the influx of tourists using Metro — and frequenting Virginia businesses, boosting our economy.

As a region that attracts nearly 20 million U.S. tourists each year, Greater Washington will remain the center of the nation for years to come — and Virginia would be unwise to not capitalize on this burgeoning revenue source. When the Silver Line is complete in 2020, tourists can land at Dulles, shop at Tysons Corner, grab lunch in Arlington, and take a tour of Mount Vernon — all in the same day and all via Metro.

You may ask why the leaders of the commonwealth's largest business organizations are so supportive of Metro. It's because we understand the vital role Metro plays in the commonwealth's future economic success. We know that Metro has experienced challenges, but it is making progress in addressing issues of safety, reliability, and fund management under the excellent leadership of new CEO Paul Wiedefeld.

However, without continued progress through additional reforms, Virginia cannot realize the benefits of Metro. The business community in the Washington region has put forth specific recommendations for improving Metro through changes in governance, operations, and funding that hopefully will be embraced by McAuliffe and his successor, Governor Larry Hogan of Maryland, and Mayor Muriel Bowser of the District of Columbia — especially in light of LaHood's statements.

First, unlike other transit systems that often carry many fewer passengers, Metro has no dedicated funding source — leaving it up to Virginia, Maryland, the District, and the federal government to each contribute to the system in an ad hoc manner. Without a long-term, dedicated funding source from each jurisdiction, there won't be a sustainable way to support Metro improvements and expansion — which ultimately benefits the entire region and the entire commonwealth.

Second, Virginia shouldn't provide new money for Metro without strings attached. Yes, Virginia needs Metro, because whether you live in Great Falls or Galax, Ashburn or Accomack, Metro is important to your quality of life. That means we need to do our part to ensure it has dedicated funding. But in order to truly create the kind of safe, reliable, and sustainable transit system we'd be proud to have run in our state, this funding must be accompanied by bold and forward-looking reforms to Metro's governance and operations. The current Metro board structure is large and unwieldy, and the system should embrace a more balanced approach to operations.

Therefore, Governor-elect Northam and our elected leaders in the General Assembly would be wise to address all these issues comprehensively. In this effort, they can be assured that the business community will stand with them each step of the way.

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Presented at the 12-07-17
meeting by Ron Meyer

Northern Virginia Transportation Commission (NVTC) Resolution on New I-66 Tolls
December 7, 2017

WHEREAS, The Northern Virginia Transportation Commission (NVTC) is the recipient of revenue from the new tolls from the "Transform 66 - Inside the Beltway" project for funding to improve transit in the corridor, and

WHEREAS, NVTC includes jurisdictions which commute on I-66, including Loudoun, Fairfax, and Arlington Counties and the Cities of Fairfax and Falls Church, and

WHEREAS, the "Transform 66 - Inside the Beltway" project has been conceived, implemented, and managed by the Virginia Department of Transportation (VDOT), not NVTC; NVTC has no authority over the toll rates or management of this facility, and

WHEREAS, working Virginians cannot afford tolls more than $35, $20, or even $10 dollars each way every day, and

WHEREAS, due to the new hours of operation associated with the “Transform 66 - Inside the Beltway” project, many working Virginians who previously utilized the roadway are now significantly impacted in their daily efforts to get to and from work;

- Prior to December 4th, these Virginians could utilize I-66 eastbound without restriction during the 5:30 – 6:30 AM time frames and westbound from 3 – 4 pm., and
- Prior to December 4th, these Virginians could utilize I-66 eastbound free of tolls, dynamic or otherwise, from 9 – 9:30 AM eastbound and 6:30 to 7 pm westbound., and

WHEREAS, $35 tolls each way for every workday of the year would add up to more than $18,000, and

WHEREAS, some working Virginians are willing to pay for new access to I-66 previously not allowed during rush hour under the HOV restrictions, but all Virginians expect tolls to be reasonable, appropriate and affordable, and

WHEREAS, no tolling revenue from this project will be used to widen I-66, and

WHEREAS, representatives from VDOT or the Office of the Governor never told the public or this Commission about this extremely high level of tolling before implementation, and

THEREFORE BE IT RESOLVED, that the NVTC calls on the Commonwealth to take immediate action regarding “Transform 66 - Inside the Beltway” to lower tolling costs, which could include reconfiguring the system and/or capping tolls. If a solution cannot be immediately implemented, than VDOT should suspend the program.

THEREFORE BE IT FURTHER RESOLVED, in the event that the program continues, NVTC calls for a modification of the hours of operation for the tolling system to reflect the prior restricted access time periods.

Draft prepared by Supervisor Ron Meyer, Loudoun County.