The following items were handed out at the May 4, 2017 NVTC Meeting.

FAQ: Independent Review of WMATA

What? Former U.S. DOT Secretary Ray LaHood will lead an objective, top-down review of WMATA. Virginia is paying for this independent review but no jurisdiction will control the review. Governor McAuliffe has talked with Governor Hogan who is supportive of this effort and has reached out to Mayor Bowser. Secretary LaHood is a respected leader and transportation expert that can bring an objective look at this situation without the bias of any jurisdiction.

Why? WMATA is critical for the Washington, D.C. region – moving more than one million people a day. It provides key connectivity between Maryland, the District and Virginia, and removes hundreds of thousands of vehicles a day from the region's congested roadways.

Unfortunately, WMATA today has significant problems that hinder its ability to serve this region's residents and businesses. This did not happen overnight. It is the result of decades worth of decisions.

Ensuring WMATA is a world-class transit system will help ensure the Washington region remains an economically vibrant region.

How? It is a review that will benchmark WMATA's performance and condition relative to its peers to help identify potential reforms that will improve WMATA. Everything will be looked at, including operating, governance, and financial conditions.

The review will:

- Undertake a strategic assessment of WMATA reviewing Board governance, labor policies, and its long-term financial stability;
- Benchmark WMATA organization conditions relative to comparable transit systems across the country on key issues over time such as system costs and expenses, governance, funding levels, cost recovery, maintenance costs, and rail safety incidents;
- Develop recommendations for potential WMATA reforms, including mitigating growth in annual operating costs and sustainable funding; and,
- Identify recommended executive and legislation actions.

The review will be conducted over the coming months and a final report will be issued in November 2017.

Our region needs and deserves these answers. This review will help provide the information necessary to make the hard decisions to make WMATA a system that delivers for the entire region.

Prepared by the Office of Governor Terry McAuliffe, March 2017

CHIEF ADMINISTRATIVE OFFICERS TECHNICAL PANEL

Report to the Northern Virginia Transportation Commission

May 4, 2017

Metropolitan Washington
Council of Governments

Technical Panel

District of Columbia
- Rashad Young, City Administrator, District of Columbia
- Jeffrey DeWitt, Chief Financial Officer

Maryland
- Tim Firestine, Chief Administrative Officer, Montgomery County
- Nicholas Majett, Chief Administrative Officer, Prince George's County

Virginia
- Tim Hemstreet, County Administrator, Loudoun County
- Mark Jinks, City Manager, City of Alexandria
- Ed Long, County Executive, Fairfax County
- Mark Schwartz, County Manager, Arlington County

Washington Metropolitan Area Transit Authority
- Dennis Anosike, Chief Financial Officer
- Andrea Burnside, Chief Performance Officer
- Barbara Richardson, Chief External Affairs

We All Agree

- **Metro is essential** to the region & regional economy – must be brought to a **safe & reliable** state.
- **Capital & maintenance needs** require significant funding – needs a regional solution.
- Cost of delay is too high.
- These are difficult times – we must come together as a region to find a solution.

Metro is a regional asset that requires a regional solution

Presented our Report to COG Board

Presented this report last week to COG Board:

- Board passed resolution to asked for Technical Panel to support the COG Metro Strategy Group as it reviews material in this report.
- Resolution also asked Strategy Group to review and prepare recommendations for regional actions to COG Board of Directors at a future meeting.

Following the Interim Report

- Technical Panel updated analysis of WMATA's capital, operating and maintenance funding needs for next 10 years to reflect WMATA's Capital Needs Inventory and adopted FY 2018 budget.
- Re-calculated funding needs and gap over next 10 years:
    - $15.6 billion capital funding is required to address safety and get to State of Good Repair, with funding gap of $6.1 billion.
    - $21.1 billion needed for operations and maintenance, with $1.3 billion maintenance funding gap.
    - Additional capital funding for critical capital projects is required; funding gap is at least several billion dollars over next 10 years.

Following the Interim Report, cont'd

- Analyzed and discussed revenue options.
- Narrowed the choices and focused on revenue that will meet Metro's capital/maintenance needs over 10 years.
- Weighed pros and cons of each option; also considered implications of state needs and challenges.
- Looked at metrics that will help ensure that Metro moves towards a more safe and reliable system.
- Focused on regional economy and Metro's important role in the region.

Our Regional Economy

- Important to consider Metro's capital needs in context of regional economy.
  - Failure to invest in Metro could result in regional tax revenue reduction of $1-2 billion annually.
  - $50+ billion in planned and proposed development near Metro and future regional economic growth depend on a well-functioning, safe and reliable Metro system.
- Metro benefits everyone, whether you take Metro or not – e.g., congestion relief, less need for additional roads, bridges and parking, environmental benefits

A “Regional Entity”

- Our economy is regional – all are interlinked.
- No one revenue solution will exactly match current Metro agreements.
- In lieu of regional entity, how can we best collect revenue as a region?
  - Looked for way to generate revenue that meets Metro’s capital/maintenance needs.
  - Looked for most equitable method.
  - Looked for new money; money not collected today.
  - Plan is back-loaded as Metro gears up for infrastructure improvements.

Our Analysis

- DC CFO Jeff DeWitt will present his work:
  - Determining Metro’s 10-year capital and maintenance needs.
  - Impact on the region.
  - Cost of delay/failure to act.

CAOs' Perspective

- Fairfax County Executive Ed Long
  - Report validated reasonable and achievable needs.
  - Local budgets can be developed without extreme requests.
  - Urgency of a regional solution by January 2019.
  - Dedicated funding source is critical.
  - No solution is perfect and that is why a regional solution is needed.
  - Regional solution is critical to our economy.
  - The consequences of no action will be devastating.

Challenges & Next Steps

- COG Metro Strategy Group will be coordinating with the business community, LaHood initiative, WMATA, NVTC and others.
- Need to consider and develop options for COG Board consideration.
  - Technical Panel stands ready to provide ongoing assistance to COG Board as requested.

Discussion

- Questions?

MWCOG Staff:

- Chuck Bean, Executive Director
- Stuart Freudberg, Deputy Executive Director and Project Manager
- Monica Beyrouti, Government Relations and Member Services Coordinator
- Sharon Pandak, General Counsel
- Eric Randall, Principal Transportation Engineer
- Kanti Srikanth, Director, Transportation Planning

Consultant

- Barbara Donnellan, President, Castle Gray Associates

mwcog.org

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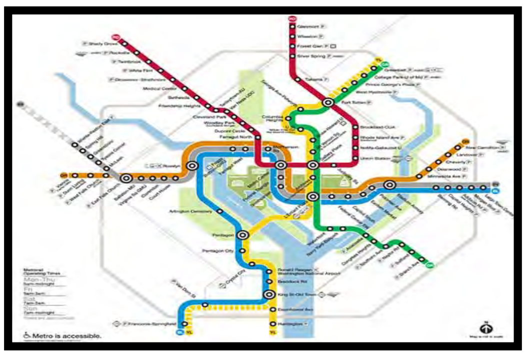

WMATA's Funding Needs

The Magnitude and the Effect

Updated to Reflect WMATA's Proposed FY 2018 Budget

Presentation to the

Northern Virginia Transportation Commission

May 4, 2017

Metropolitan Washington Council of Governments

Overview

- Development of a reasonable basis to estimate the total WMATA funding gap
  - ✓ *Realistic State of Good Repairs (SGR) capital needs*
  - ✓ *Operating and maintenance gap*

- The models initially developed for this analysis have been updated based on WMATA’s Proposed FY 2018 operating and capital budgets

- Potential impact of the Capital Needs Inventory (CNI) versus the CIP

- Need for additional contributions to fill the gap, and the impact on jurisdictions

- Determine the needed level of a dedicated funding source

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Assumptions to Address the Funding Gap

Data

- Created "out-year" funding based on WMATA's FY 2018 proposed budget for expenses.
- Used WMATA's 6-year CIP (FY 2018-FY 2023) as basis for capital needs analysis.
- Developed key forecasting assumptions (inflation, growth, etc.).
- Included Loudoun County and Metropolitan Washington Airports Authority (MWAA) impacts (beginning in FY 2020).

Funding Assumptions

- Federal PRIIA contributions will continue at present levels through FY 2026
- Jurisdictional contribution changes:
  - ✓ *Operating and Maintenance - 3% annual increases using FY 2018 as the base*
  - ✓ *Capital – Assumes we will meet the FY 2018 WMATA need, and then beginning in FY 2019 applied a 3% annual increase - using FY 2017 as the base year*
- Assumes dedicated funding source (beginning in January of 2019), escalated at 3% per year

Analysis

- Determine operating and maintenance gap
- Determine capital gap
- Determine impact of a dedicated regional tax to fund shortfall

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Key Assumptions – Operating and Maintenance

Operating and Maintenance Budget

- Required State of Good Repair maintenance (Safe-Track) is built into the WMATA proposed budgets.
- Assumed WMATA's FY 2018-2020 operating budget, then escalated after that at 3% annually.
- Passenger revenues track WMATA estimates through FY 2020, and then are escalated at 3% annually to reflect either ridership and/or fee increases, beginning in FY 2021.
- Assumes Jurisdictions will contribute to meet the FY 2018 need.
- Assumes State and local operating subsidies grow at a 3% annually compounded rate (FY 2018 as the base year). Personnel, services, materials and supplies are inflated at a 3% compounded annual rate.
- Fuel, propulsion power and utilities are inflated at a 2% annual compounded rate.
- Reflects additional operating expenses of Silver Line coming online in FY 2020.
- OPEB contributions are increased per the FY 2017 assessment recommendation – starting in FY 2019.
- Funding gap does not reflect any potential impacts of a new collective bargaining agreement.

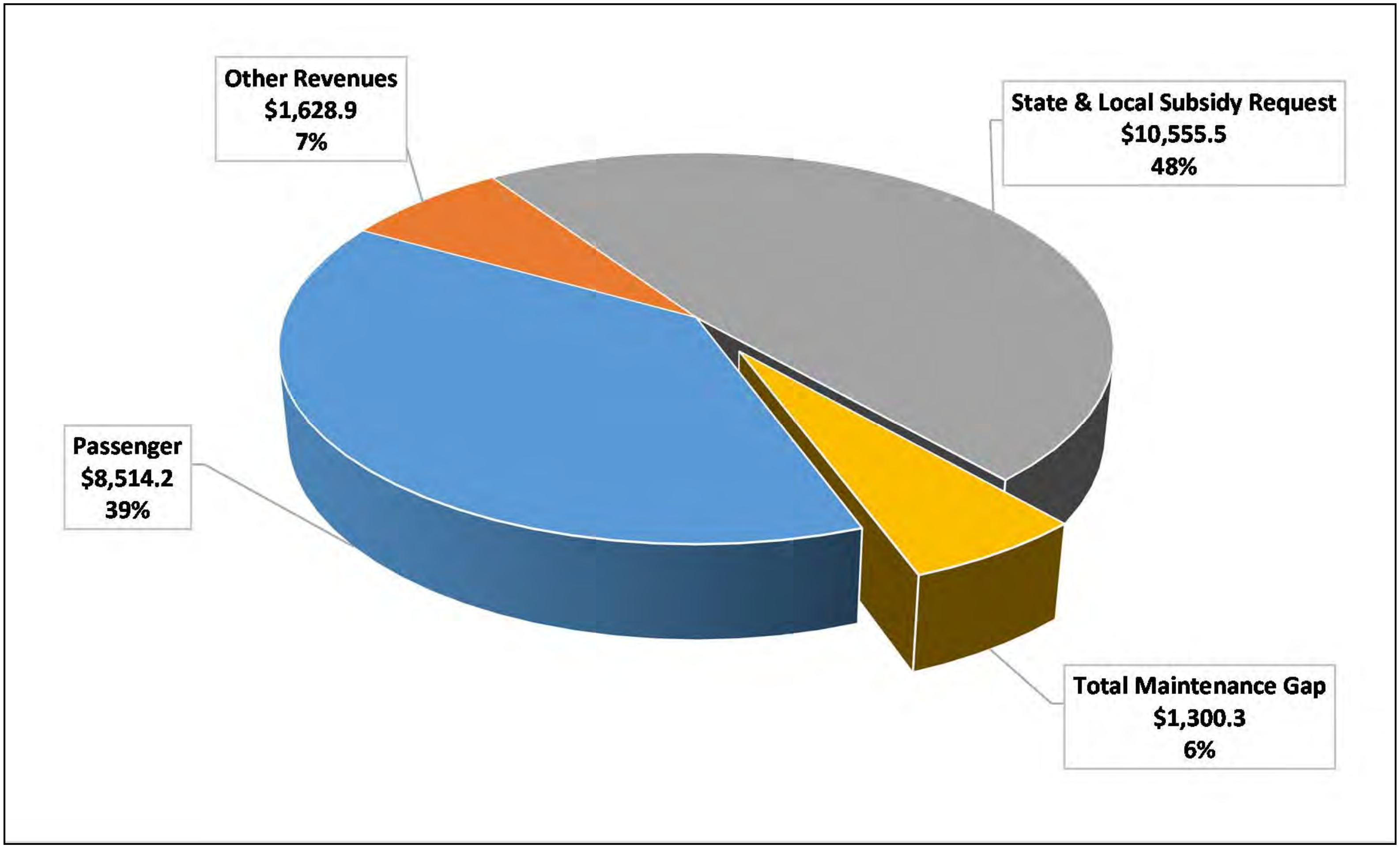
(Dollars in Thousands)

		10 Year Total
Revenues:		
Passenger	$	7,710,909
Other Passenger	$	209,154
Parking	$	468,667
Advertising	$	263,456
Joint Development	$	86,027
Fiber Optics	$	162,023
Other	$	118,967
Jurisdictional Reimbursements	$	320,584
Total Direct Revenues	**$**	**9,339,788**
State & Local Subsidy Request		10,757,967
Total Revenues	**$**	**20,097,755**
Expenses:		
Personnel	$	14,986,925
Services	$	3,320,006
Materials and Supplies	$	1,386,991
Utilities - Fuel	$	368,075
Fuel and Propulsion Power	$	943,349
Casualty and Liability	$	330,620
Leases and Rentals	$	95,090
Miscellaneous	$	60,364
Capital Allocation	$	(472,609)
OPEB - Additional Need based on FY 2017 Assessment	$	180,000
Total Expenses	**$**	**21,198,810**
Operating and Maint Gap (Expense minus Revenue)	***$***	***(1,101,056)***
State and Local Debt Service (Metro Matters)	$	(199,232)
Total Funding Gap	**$**	**(1,300,288)**

See the full Pro Forma for greater details

Operating Revenue & Maintenance Funding Gap

(in $millions)



Total is approx. $21 Billion

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Key Assumptions - CIP

Capital Improvements Program

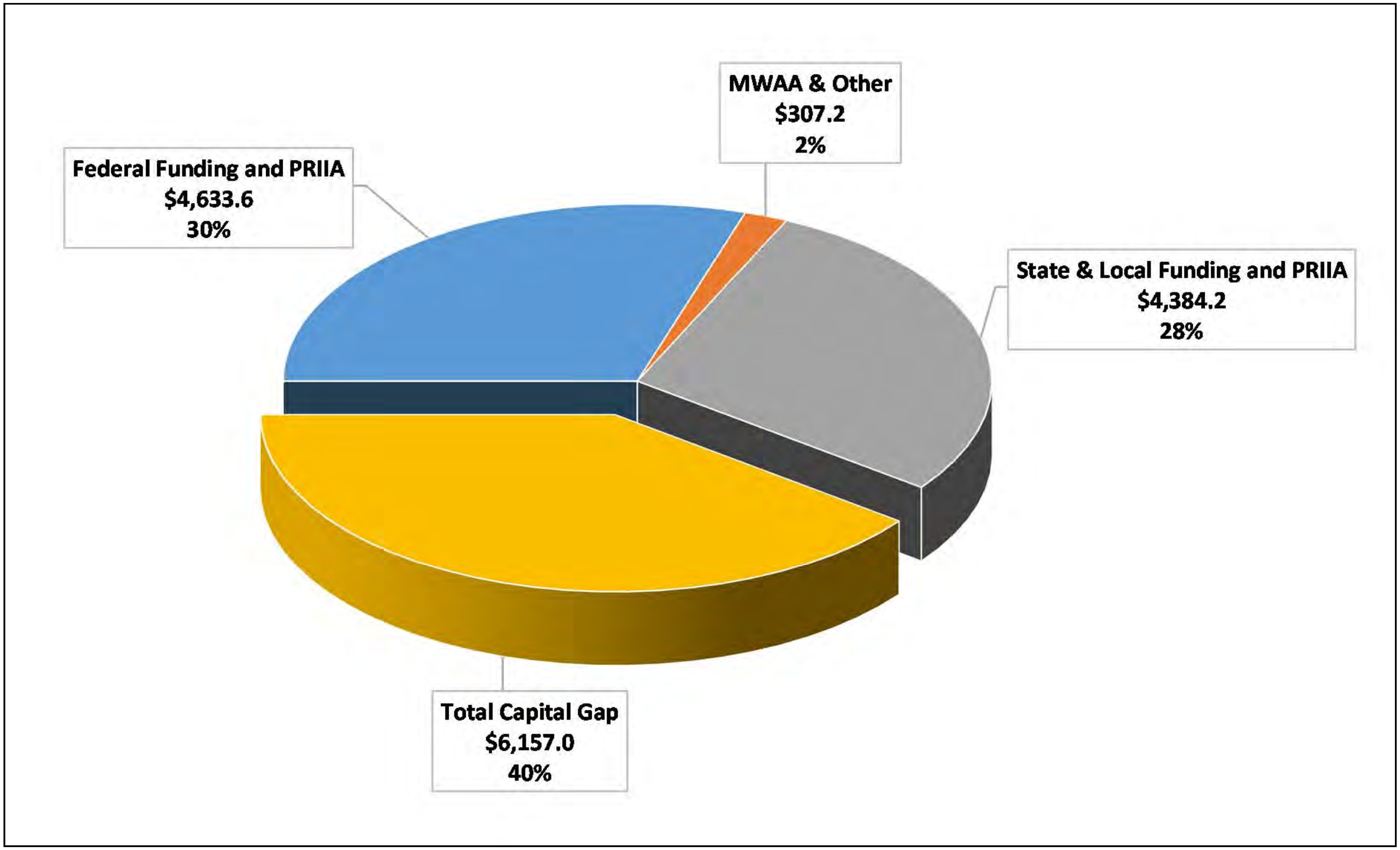
- Assumes PRIIA funding is continued at current levels beyond FY 2019, and assumes Federal Formula Grants remain flat.
- The 6-year CIP is from WMATA's "FY 2018 Proposed Budget – December 1, 2016".
- Assumes the jurisdictions meet the WMATA requested budget for FY 2018.
- Assumes 3% annual escalation on jurisdictional contributions for the remainder of the 10 year period (above FY 2017 base).
- Used the WMATA proposed 6-year CIP of $7.2B – the additional $8.4B was assumed to occur beyond the CIP planning period, and within the 10 year plan, for a total of $15.6B total CIP.
- Based on CNI SGR adjusted to reflect safety and reliability totaling approx. $15.6 billion.

(Dollars in Thousands)

	10 Year Total
Sources:	
Federal Formula Grants	3,053,350
Other Federal Grants	58,200
Federal PRIIA	1,522,000
Federal Subtotal	***4,633,550***
MWAA	292,000
Other	15,200
State and Local PRIIA Match	1,522,000
Local Match to Federal Formula	764,650
System Performance - Local ('Regular' CIP)	1,885,452
State and Local Subtotal (per WMATA proposed budget through FY2023)	**4,172,102**
Other State and Local	62,100
Additional Short-Term Borrowing Required for Capital	150,000
Total Sources	**$ 9,474,952**
Uses:	
Rail Vehicles/Vehicle Parts	3,301,000
Rail Systems	3,036,000
Track, Structures, and Systems	2,050,000
Passenger Facilities and Stations	2,559,000
Bus and Paratransit Investments	2,572,000
Business Support	1,964,000
Repayment of Short-Term Borrowing	150,000
Total Uses	**$ 15,632,000**
Capital Funding Gap	**$ (6,157,048)**

See the full Pro Forma for greater details

Capital Budget Revenue & Funding Gap
(in $millions)



Total is approx. $15.6 Billion

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Total 10-Year Funding Gap Summary

($ Millions)

CIP Funding Gap	$	6,157.05
Maintenance Budget Gap	$	1,300.29
Total	$	7,457.34
Annual Average (10 Years - FY 2017-FY 2026)	$	745.73

(Dollars in Thousands)

		FY 2017		FY 2020	FY 2023	FY 2026	Total
Jurisdictional Share Gap Funding Needed	**%**	**Current Year**	**%**	**Add-on Needed for Gap - Above Current Year**			**Gap Need**
District of Columbia	***37.2%***	***$ 416,700***	***35.7%***	***$ 232,305***	***$ 108,099***	***$ 633,556***	***$ 2,671,543***
Montgomery County	17.1%	193,050	16.4%	106,652	49,630	290,872	1,226,604
Prince George's	17.7%	235,550	17.0%	110,394	51,371	301,078	1,269,643
Maryland Subtotal	***34.8%***	***$ 428,600***	***33.4%***	***$ 217,086***	***$ 101,021***	***$ 592,071***	***$ 2,496,786***
Alexandria	4.5%	33,000	4.3%	27,761	12,918	75,712	319,276
Arlington	8.2%	77,100	7.9%	51,143	23,799	139,483	588,196
City of Fairfax	0.3%	2,550	0.3%	1,871	871	5,103	21,519
Fairfax County	14.7%	155,450	14.1%	91,683	42,664	250,048	1,054,449
Falls Church	0.3%	3,150	0.3%	1,871	871	5,103	21,519
Loudoun County	0.0%	-	4.1%	26,600	12,378	72,546	283,520
Virginia Subtotal	***28.0%***	***$ 271,250***	***30.9%***	***$ 200,969***	***$ 93,521***	***$ 548,104***	***$ 2,289,007***
Unfunded	***100.0%***	***-***	***100.0%***	***$ 650,360***	***$ 302,641***	***$ 1,773,731***	***$ 7,457,336***

See the full Pro Forma for greater details

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Recommendations to Fund Gap

- Recommend that annual capital funding gaps be debt financed *(requires a stable, predictable and truly dedicated regional funding source)*

- This would allow for a lower annual impact on jurisdictions through debt service versus pay-as-you-go capital

- Dedicated tax revenues are estimated to comfortably cover debt service payments

- There should also be sufficient remaining dedicated tax revenues to fund the gap related to maintenance funding in the budget

- There is also estimated to be revenues remaining after funding the maintenance gap for additional critical capital projects beyond the SGR, such as expansion

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Criteria for a Dedicated Funding Source

- Ease of Implementation (Can it be done through existing systems and what are administrative costs?)

- Predictable and Sustainable (Does the source of funding allow it to be pledged for debt financing?)

- Revenue Yield (Will the source provide enough revenue to meet funding gaps without excess increases above current levels?)

- Fair and Equitable (Does the tax or fee paid reflect the commensurate benefits from the transit system funded?)

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Dedicated Funding Source Options

Type of Tax	Tax Increase	Dollars Collected
Sales Tax	1% on taxable sales	$650 Million
Property Tax (All Property)	8 cents per $100	$650 Million
Property Tax (1/2 mi. from Metro)	43 cents per $100	$650 Million
Gas Tax	16.3% Increase	$650 Million

Other options considered include Value Added Tax (VAT), Commuter Tax and Income Tax

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Benefits of a Uniform Regional Sales Tax

- Easily understood by the public and easy to administer
- All residents in the Metro compact area pay the same
- Maintains the relative competitiveness of jurisdictions within the compact
- Provides a stable funding source well understood by investors to debt finance substantial capital infrastructure needs at low interest rates
- Grows as the economy grows to fund future needs
- Captures revenues of tourists, visitors and commuters from outside of the compact area
- A dedicated sales tax is a source of funding for most of the large transit systems in the nation, including: New York (MTA), Chicago (CTA), Massachusetts (MBTA), San Francisco (BART), Los Angeles County (LACMTA), and numerous others.

Note: In 2016 sales tax referendums for transit funding passed in San Francisco, Los Angeles and Atlanta.

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Dedicated Tax to Fund Capital Gap

- ✓ For example, a 1% dedicated regional sales tax can fund all of Metro's revised SGR capital needs in a 10-year period
- ✓ Remaining tax revenues can be used to fund additional critical capital needs beyond SGR (capacity expansion or other improvements)

Fiscal Year	Capital Funding Gap[1]	Est. Debt Service to Cover Capital Gap[2]	Dedicated Tax Revenues[3]	Remaining Tax Revenues prior to Funding Maintenance Gap	Annual Maintenance Funding Gap[4]	Funds Available for other Critical Capital Projects Beyond SGR
2017	-	-	-	-	-	-
2018	-	-	-	-	(21,360)	-
2019	433,857	(31,519)	***325,000***	293,481	(70,089)	223,391
2020	494,263	(67,427)	***669,500***	602,073	(156,097)	445,976
2021	402,249	(96,650)	***689,585***	592,935	(164,952)	427,984
2022	149,911	(107,541)	***710,273***	602,732	(174,003)	428,729
2023	119,496	(116,222)	***731,581***	615,358	(183,144)	432,214
2024	1,450,608	(221,608)	***753,528***	531,920	(168,279)	363,641
2025	1,518,413	(331,918)	***776,134***	444,216	(176,884)	267,332
2026	1,588,251	(447,303)	***799,418***	352,115	(185,480)	166,636
Total	**$6,157,048**	**($1,420,188)**	**$5,455,018**	**$4,034,831**	**($1,300,288)**	**$2,755,903**

Notes:
1. Estimate. Represents the annual capital funding gap for $15.4 billion revised SGR CIP as identified by WMATA.
2. Assumes debt funding of all annual capital gap amounts; 30-year amortization and 6% cost of borrowing.
3. Conservative estimate of revenues from a 1% regional sales tax on all jurisdictions in the compact area escalated at 3% annually for growth. First year estimated to collect only 50% of revenues due to timing of implementation.
4. Estimate. FY 2018 shortfall represents Metro Matters debt service.

Est. Costs of Other Critical Capital Projects Beyond SGR (from Metro's published CNI):
1. New Rosslyn Connection – $2 billion or more
2. Major station capacity increases - $260M
3. Heavy overhaul facility (Rail) - $375M
4. Relining of Red Line tunnels – *cost TBD*

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Summary of Issues

- Allows WMATA to reach a State of Good Repair in 10 years
  - ✓ *SGR total capital needs are estimated by WMATA at $15.6 Billion*
- Effort will require metro to execute approx. $1.5B CIP annually over 10 years
- Represents a maintenance gap of $1.3 billion and a capital gap of $6.2 Billion (total 10-year combined gap of $7.5B)
  - ✓ *Far exceeds reasonable capacity of the compact jurisdictions*
- A dedicated regional funding source is essential to achieve a State of Good Repair
  - ✓ A dedicated funding source collecting approx. $650M annually, beginning in January 2019, can cover both the maintenance and capital funding gaps, as well as additional critical capital needs
- ***Without a dedicated funding source in place by January 2019, jurisdictions <u>will not</u> be able to fund WMATA's capital needs***

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Key Take-Aways

- ***At this funding level the following are required:***
  - ✓ Federal funding beyond 2019 must be continued at $150M per year with continued matching from the jurisdictions (PRIIA)
  - ✓ Local jurisdictions must meet the FY 2018 operating need, and increase operating contributions by 3% annually (over FY 2018 base year) to cover cost inflation
  - ✓ Local jurisdictions must meet the FY 2018 capital need, and increase capital contributions by 3% annually (over FY 2017 base year) to cover cost inflation
  - ✓ WMATA's non-utility costs limited to 3% annual growth
  - ✓ A regional dedicated funding source (i.e. regional sales tax) must be created to allow for sufficient debt funding of the capital gap

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Impacts of No Additional Funding

- ❑ Safe Track type delays will continue indefinitely
  - ✓Estimated cost of rush hour (only) trip delays are estimated at between $153M and $235M annually
- ❑ Passenger safety risks will continue to increase
- ❑ Traffic congestion will continue and worsen
- ❑ Approx. $25 billion of development has occurred near metro stations over the past 8 years
- ❑ Economic growth in the region will likely slow
- ❑ MWCOG economic forecast implies regional state and local government tax revenue growth from 2.5% to 4% annually, depending on per capita income growth

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Estimate of Tax Losses in Metro Compact Area

(Income, Property, Sales & Use)

- Reducing the economic forecast by 0.25% to 0.50% results in annual losses to compact area taxes, collectively, ranging from $1 billion to $2.3 billion, respectively, after ten years.

- Areas with expected growth or redevelopment near Metro stations, or where traffic congestion can impede planned growth, can be expected to be impacted particularly hard.

- Reasonable estimates of losses for a poorly functioning transportation system will easily exceed the required new taxes collected to achieve a state of good repair.

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Other Issues

- Financial oversight of WMATA for use of dedicated funding source
- Increased monitoring to ensure control of WMATA costs escalation
- Regional efforts to continue, and increase, federal financial support
- Address any potential jurisdictional issues with a uniform regional sales tax
- Coordination of regional process for adoption of dedicated regional sales tax

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Questions ?

Upcoming Events

VRE Operations Board Recognition Ceremony

Featuring a bench dedication in honor of Dick Peacock, a long-time VRE advocate

Saturday, May 13
Broad Run Station
10637 Piper Lane
Bristow, VA 20136

RSVP to cking@vre.org by May 8

VRE Meet the Management

May 10 Washington Union Station	2:50-6:40pm Midday Storage
May 17 L'Enfant	3-6:50pm Transportation Benefits
May 24 Crystal City	3:10-6:44pm VRE Communication Channels
May 31 Alexandria	3:15-7:03pm Pedestrian Tunnel
June 7 Franconia/Springfield	3:30-7:15pm Wi-Fi on Trains

NVTC
NORTHERN VIRGINIA TRANSPORTATION COMMISSION

Governance & Personnel Committee Meeting

Thursday, May 18 at 7:30 p.m.

2300 Wilson Boulevard, Suite 620

2017 Conference & Expo

VIRGINIA TRANSIT ASSOCIATION
The Voice of Public Transportation in Virginia

May 23-24
The Hilton Crystal City
http://vatransit.com

Transit Capital Revenue Advisory Board

Friday, May 12 from 10 a.m.-3 p.m.
1221 E. Broad Street Richmond

Friday, June 16 from 10 a.m.-3 p.m.
86 Deacon Road, Fredericksburg, VA 22405

Join Virginia's WMATA Board Members

for a Discussion of the Challenges & Opportunities in

Getting Metro Back on Track

Forum is open to the public and accessible via Metrorail

Thursday, June 15, 2017 at 7 p.m.
Durant Arts Center
1605 Cameron Street
Alexandria, Virginia

This forum, which includes a presentation and question/answer session, is sponsored by the Northern Virginia Transportation Commission. Learn more about NVTC and the upcoming forum at www.novatransit.org.

NVTC
The Voice of Transit in Northern Virginia