NVTC WMATA Committee Meeting

July 21, 2022

Meeting materials available at www.novatransit.org
Committee Meeting Agenda

1. Review June 16, 2022 Meeting Summary
2. 2022 Update of the Annual Report on the Performance and Condition of WMATA
3. Metrobus Service and Subsidy Update
4. Other Items
Agenda Item #2:
2022 Update of the Annual Report on the Performance and Condition of WMATA
Structure of the Report – Proposed for 2022

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Strategies to Reduce the Growth in Costs and Improve Efficiencies at WMATA

Reducing expense growth and increasing revenues brings greater efficiencies to WMATA

Proposed Strategies for 2022

1) Rider Confidence
2) Fare Evasion
3) Fare Structure
4) Non-Fare Revenue

Increasing Revenues

5) Labor Costs
6) Role of Metrobus and local transit operators

Controlling Expenses

7) New Financial Operating Model

* Proposed NVTC Study of Effort

Source: WMATA Approved FY 2023 Budget. Revenues do not include debt service or reimbursables
Proposed 2022 Report Strategies

**Strategy 1: Rider Confidence**

WMATA should safely **return 7000-series trains to service**, offer **frequent and reliable rail service**, improve the **physical safety and security** of customers, and **reform management and safety culture** in order to rebuild confidence with riders and funding partners.

**Background**

- The prolonged period of reduced rail service and safety incidents have eroded rider confidence, leading to low on-time performance and low customer satisfaction on Metrorail.

- New management and the return of rail service offer opportunities to rebuild rider confidence, rebuild ridership, and rebuild fare revenues.

- Metro Transit Police launched new community policing and safety initiatives to increase police visibility on buses, trains, and in stations and address crime and improve customer safety.
Proposed 2022 Report Strategies

**Strategy 2: Fare Evasion**

WMATA should work with partner jurisdictions to enforce fare payment uniformly across the system to address customer safety and security and improve WMATA’s financial condition.

**Background**

- Crimes against persons are higher than pre-pandemic and in Q2 FY 2022 operator assaults had tripled.

- Fare evasion laws vary by jurisdiction. DC decriminalized fare evasion in 2019, but MTPD currently cannot enforce fare evasion in the Washington, DC because the District of Columbia lacks an adjudication process.

- In the first half of FY 2022, the revenue loss attributed to fare evasion for Metrobus was $8.6 million. In Q2 FY 2022 Metrobus fare evasion stood at in DC (42%), Maryland (34%) and Virginia (6%) 42%, 34% and 6%. Data collection for fare evasion on Metrorail is underway but not yet available.
Proposed 2022 Report Strategies

**Strategy 3: Fare Structure**

WMATA should continue to institute a simple and convenient fare structure that drives ridership and revenue. WMATA should explore a flat or zone fare system and consider a fare increase the FY 2024 budget.

**Background**

- In October 2021, the WMATA Board adopted updated fare policy principles to inform future changes to fare policy and structure.
- The principles call for a simple and convenient, seamless, and customer-focused fare structure that drives ridership and revenue.
- WMATA has recently taken several incremental steps at fare simplification by implementing a flat fare after 9:30 on weekdays and on weekends and instituting free transfers between bus and rail.
Proposed 2022 Report Strategies

Strategy 4: Non-Fare Revenue

As ridership recovers, WMATA should continue to increase non-fare revenues from real estate (joint development) and advertising.

Background

• Most urban transit agencies are unable to cover operating costs through farebox recovery, making non-fare revenue an important factor in narrowing funding gaps.

• Non-fare revenue for WMATA includes parking, joint development, advertising.

• In April 2022, WMATA released its 10-Year Strategic Plan for Joint Development which seeks to implement 20 new joint development agreements by 2032.

• WMATA has completed 55 joint development projects since 1975 that generates ground-lease revenues for Metro and close to five million additional Metro trips annually.
Proposed 2022 Report Strategies

**Strategy 5: Labor Costs**

WMATA and funding partners should seek to **manage cost escalation in collective bargaining agreements** and **amend the Wolf Act**.

**Background**

- Unionized employee wages are governed by multi-year collective bargaining agreements. For FY 2023, the largest multi-year collective bargaining agreements include 2.5% wage increases, with additional increases tied to the rate of inflation.

- The National Capital Area Interest Arbitration Standards Act (Wolf Act) of 1995 governs the actions of arbitrators in the arbitration of labor disputes involving transit agencies operating in the national capital area.

- WMATA’s adopted strategic plan calls for reforming the Wolf Act to require consideration of Metro’s financial condition as part of the arbitration process.
Proposed 2022 Report Strategies

Strategy 6: Role of Metrobus and Local Transit Operators

NVTC should conduct a study examining the policy, funding, and other implications of Northern Virginia local transit agencies assuming the operation of Metrobus services in Northern Virginia.

Background

- For the operating budget, Metrobus is the second largest expense by mode, $743.9M FY 2023, but the highest subsidy by mode, $563.8M for FY2023.
- Each jurisdiction balances local and Metrobus service in different ways, but in total local transit operators currently provide 62% of transit service in Northern Virginia.
- Studying the policy implications of a different balance between providers will offer funding jurisdictions a potential path forward in assuming the operation of Metrobus services to reduce WMATA’s expenses and their subsidy.
Proposed 2022 Report Strategies

Strategy 7: New Financial Operating Model

NVTC should create a WMATA Operating Funding Working Group to develop and recommend how to align expenses with revenues at WMATA with a focus on existing and new revenues sources.

Background

• The pandemic has accelerated a structural disconnect between expense and revenue growth.

• With a loss of fare and non-fare revenues due to the pandemic, federal COVID aid has balanced the operating budget since FY 2020. When this funding is exhausted in FY 2024, there will be a major operating funding gap.

• WMATA must produce an annual budget that aligns expenses with revenues. As the operating budget continues to face long-term challenges, WMATA and funding jurisdictions should look to create a stable funding stream to sustain the system.
Proposed 2022 Report Strategies Overview

Recommendations for WMATA and funding partners

1) **Rider Confidence**: WMATA should safely return 7000-series trains to service, offer frequent and reliable rail service, improve the physical safety and security of customers, and reform management and safety culture in order to rebuild confidence with riders and funding partners.

2) **Fare Evasion**: WMATA should work with partner jurisdictions to enforce fare payment uniformly across the system to address customer safety and security and improve WMATA’s financial condition.

3) **Fare Structure**: WMATA should continue to institute a simple and convenient fare structure that drives ridership and revenue. WMATA should explore a flat or zone fare system and consider a fare increase the FY 2024 budget.

4) **Non-Fare Revenue**: As ridership recovers, WMATA should continue to increase non-fare revenues from real estate (joint development) and advertising.

5) **Labor Costs**: WMATA and funding partners should seek to manage cost escalation in collective bargaining agreements and amend the Wolf Act.

Recommendations for NVTC

6) **Role of Metrobus and Local Transit Operators**: NVTC should conduct a study examining the policy, funding, and other implications of Northern Virginia local transit agencies assuming the operation of Metrobus services in Northern Virginia.

7) **New Financial Operating Model**: NVTC should create a WMATA Operating Funding Working Group to develop and recommend how to align expenses with revenues at WMATA with a focus on existing and new revenues sources.
Annual Report on the Performance and Condition of WMATA

Timeline & Next Steps

• **Summer 2022**: NVTC staff will draft report
• **Fall 2022**: WMATA Committee review and work session(s)
• **November Commission Meeting**: Information Item
• **December Commission Meeting**: Authorize the Executive Director to send the report
• **December 15**: Report due to Governor and General Assembly
Agenda Item #3: Metrobus Service and Subsidy Update

1. Bus service across the region
2. Distribution of Metrobus service
3. Distribution of Metrobus subsidy
Key Points

NVTC staff have been monitoring Metrobus service and subsidy trends and want to brief the Committee on the following findings:

1) **Virginia is unique in the region** where additions to bus service are mostly accomplished with local transit service.

2) Historically, the amount of Metrobus service provided across the region has been largely stable, but the **distribution of this service has shifted** away from Virginia over time with the pandemic.

3) The way Metrobus subsidies are currently calculated **does not adequately reflect how service has changed**. Virginia is paying more for less service.
Who provides bus service in the WMATA compact area?

Local bus service and Metrobus
Understanding Bus Service Terms

**Vehicle Total Hour (also known as Platform hours):** The time during which an operator operates the revenue vehicle in a) line service or in deadheading (including layover periods in the vehicle at a rest point) or b) for charter, contract, and special non-contract service, or is deadheading or laying over as a result of such service. 

*Definitions from the National Transit Database*

**Vehicle Revenue Hour:** The time when a vehicle is available to the general public and there is an expectation of carrying passengers. Passengers either directly pay fare or are subsidized by public policy (including fare free service). Revenue service includes layover / recovery time.
Metrobus Service and Subsidy Change Over Time

- **Metrobus AND Local Service**
  - Local takeovers of Metrobus Routes
  - Metrobus Service Reductions due to challenging budget year
  - Temporary pandemic-related service reductions
  - 12- and 20-minute frequency network
  - Operating Budget Gap
  - Bus Network Redesign Study
    - Develop a new Metrobus service plan from scratch

- **Metrobus Subsidy**
  - WMATA Board adopts current Metrobus subsidy formulae
  - 3% Operating Cap
    - WMATA Board adopts alternative approach to calculate subsidies in response to legislative 3% caps
  - Decreasing Farebox recovery rates for Metrobus
  - Bus Network Redesign Study
    - Includes updating subsidy formulae for Metrobus

- **FY 1998**
  - WMATA Board adopts current Metrobus subsidy formulae

- **FY 2016**
  - Temporary pandemic-related service reductions

- **FY 2017**
  - Metrobus Service Reductions due to challenging budget year

- **FY 2018**
  - 12- and 20-minute frequency network

- **FY 2019**
  - Operating Budget Gap

- **FY 2020**
  - Bus Network Redesign Study
    - Develop a new Metrobus service plan from scratch
  - 3% Operating Cap
    - WMATA Board adopts alternative approach to calculate subsidies in response to legislative 3% caps

- **FY 2021**
  - Decreasing Farebox recovery rates for Metrobus

- **FY 2022**
  - Bus Network Redesign Study
    - Includes updating subsidy formulae for Metrobus

- **FY 2023**
  - Bus Network Redesign Study
    - Develop a new Metrobus service plan from scratch

- **FY 2024**
  - 3% Operating Cap
    - WMATA Board adopts alternative approach to calculate subsidies in response to legislative 3% caps

- **FY 2025**
  - WMATA Board adopts current Metrobus subsidy formulae
Bus service in the region from FY 2009 – FY 2019

Highlights

- Historically, the amount of Metrobus service provided across the region has been largely stable

- Virginia is unique in the region where additions to bus service are mostly accomplished with local transit service. These local service additions include some takeover of Metrobus routes.

Note: DC Local Service includes DC Circulator. Maryland Local Service includes Ride On and The Bus. Virginia Local Service includes ART, CUE, DASH, Fairfax Connector, and Loudoun County Transit.

Source: National Transit Database.
**Metrobus Service over Time**

**Between FY 2016 and FY 2023**

- **DC** total vehicle hours decreased -2%
- **Maryland** total vehicle hours increased +6%
- **Virginia** total vehicle hours decreased -12%

**Service**

- **Temporarily pandemic-related service reductions**
- **12- and 20-minute frequency network**
- **Local takeovers of Metrobus Routes**

**Source and Notes:** Represents scheduled total vehicle hours (platform hours) as shown in approved WMATA Budget Books (FY 2016 - FY 2023). FY 2023 represents May 2022 schedule; FY 2022 represents March 2021 schedule; FY 2021 includes deferred service adjustments.
Metrobus Service over Time

Highlights

• Temporary pandemic-related service reductions reduced Metrobus service across the region.

• The restoration of most Metrobus services and the implementation of the 12- and 20-minute frequency Metrobus network has significantly redistributed service towards Maryland.

• Over time, the distribution of Metrobus service has shifted away from Virginia.

Source and Notes: Represents scheduled total vehicle hours (platform hours) as shown in approved WMATA Budget Books (FY 2016 – FY 2023). FY 2023 represents May 2022 schedule; FY 2022 represents March 2021 schedule; FY 2021 includes deferred service adjustments.
Metrobus Operating Subsidy over Time

Between FY 2016 and FY 2023
DC bus subsidy increased +29%

Maryland bus subsidy increased +46%

Virginia bus subsidy increased +44%

Decreasing Farebox recovery rates for Metrobus

3% Operating Cap changes the way subsidy is calculated

Source: Approved WMATA Budget Book (FY 2016 - FY 2019), WMATA Quarterly Jurisdictional Subsidy Billing (FY 2020 - FY 2023)
Highlights

• Metrobus subsidy has grown for all jurisdictions since FY2016, driven in part by declining farebox revenues for Metrobus.

• The way Metrobus subsidies are currently calculated does not adequately reflect how service has changed.

• This disconnect between subsidy and service has grown significantly since the pandemic.

Metrobus Operating Subsidy over Time

Source: Approved WMATA Budget Book (FY 2016 - FY 2019), WMATA Quarterly Jurisdictional Subsidy Billing (FY 2020 - FY 2023)
Summary of Findings

Key Points

1) **Virginia is unique in the region** where additions to bus service are mostly accomplished with local transit service.

2) Historically, the amount of Metrobus service provided across the region has been largely stable, but the **distribution of this service has shifted** away from Virginia over time with the pandemic.

3) The way Metrobus subsidies are currently calculated **does not adequately reflect how service has changed**. Virginia is paying more for less service.

Next Steps

- Continue to work with jurisdictional staff, Committee, and WMATA Board members to explore and understand these Metrobus subsidy and service trends.

- Incorporate findings into NVTC studies
  - Regional Bus Analysis (Fall 2022 RFP)
  - Role of Metrobus in Northern Virginia *(Draft recommendation for NVTC Annual Report on WMATA)*

- Engage in **Bus Network Redesign** study that will kick off later this year. Study calls for a new Metrobus service plan a new way to pay for Metrobus.
Agenda Item #4:
Other Items
Regional Breakdown of Metrobus and Local Bus Service

FY 2020 Metrobus and Local Bus Service in the Region

- Most bus service in DC is provided by Metrobus
- In Maryland, Montgomery County (Ride On) provides more local bus service than The Bus (Prince George’s County)
- In Virginia, more bus service is provided by local transit agencies combined than by Metrobus
- Virginia’s distribution of local and metro service is unique in the region

Source: FY 2020 data from National Transit Database, FY 2020 Approved Budget Bus Geodistribution information provided by WMATA
*Using correction factor based on actual VRM from NTD data