NORTHERN VIRGINIA TRANSPORTATION COMMISSION

NVTC WMATA COMMITTEE MEETING
THURSDAY, October 20, 2022
NVTC Conference Room, Suite #230
2300 Wilson Blvd., Arlington, Virginia
Public Streaming Via YouTube
6:00 p.m.

Masks are no longer required at NVTC. Attendees may choose to wear a mask based on their own personal preference. The meeting can also be viewed via the NVTC YouTube Link.

AGENDA

1. Welcome and Opening Remarks

2. Review of the September 29, 2022 NVTC WMATA Committee Meeting Summary

3. 2022 Update on the Annual Report on the Performance and Condition of WMATA

4. Update on NVTC Research: WMATA Peer Transit Agency Operating Funding

5. Other Items

WMATA Committee Members
Walter Alcorn, Chair
Canek Aguirre
Matt de Ferranti
Matt Letourneau
David Meyer
Paul Smedberg
David Snyder

MEETING SUMMARY
NVTC WMATA COMMITTEE
Via Electronic Participation
Public Streaming via YouTube
September 29, 2022

NVTC WMATA Committee Members Present:
- Walter Alcorn, Chair
- Canek Aguirre
- Matt de Ferranti
- Matt Letourneau
- David Meyer
- David Snyder

NVTC WMATA Committee Members Absent:
- Paul Smedberg

Staff and Others Present:
- Kate Mattice, Executive Director
- Andrew D'huyvetter
- Mathew Friedman
- Allan Fye
- Melissa Walker
- Ronnetta Zack-Williams
- Greg Potts (WMATA)
- Allison Davis (WMATA)
- Peter Cafiero (WMATA)

WMATA Committee Chair Alcorn called the meeting to order at 6:09 p.m. He noted that the meeting was an all-virtual public meeting under the Virginia Freedom of Information Act and NVTC's Electronic Participation Policy. He also noted that the meeting was being live streamed for the public.

Chair Alcorn asked for any changes to the July 21, 2022 WMATA Committee Meeting Summary. Committee members accepted the summary of the July 21, 2022 meeting with no changes.

<u>WMATA's Bus Network Redesign</u>

Chair Alcorn introduced WMATA's Bus Network Redesign (BNR) project, which aims to transform the bus system across the region and was endorsed by NVTC in March 2020. He welcomed Allison Davis, the Vice President of Planning at WMATA, and Peter Cafiero, the Managing Director of

Inter-Modal Planning at WMATA to present the first phase of this project to the committee. Ms. Davis reviewed the project's background, purpose and scope.

Mr. Cafiero reviewed the desired outcomes of the BNR which consist of near-term service improvements, a recommended network for FY 2025, the future network beyond FY 2025, a defined role of Metrobus and a long-term sustainable funding model.

He also reviewed a timeline of the BNR which included the following steps:

1) The bus transformation project
2) Planning foundations
3) Developing alternatives networks
4) Recommending the final network
5) Implementing the better bus network

The Bus Transformation Project has been completed and the project team is currently on the planning foundations step, which will include public outreach over the next several weeks.

Ms. Davis noted that WMATA staff are currently meeting with various stakeholders to guide the BNR and the customer outreach will begin next week. She also mentioned the WMATA Board recently adopted Guiding Principles which the project team will use to guide its approach and decisions. Ms. Davis closed the presentation by explaining the next steps of the project which include outreach and engagement, finalizing project goals/objectives/metrics, completing and publishing existing conditions and market assessment findings and updating the Metro Board on the planning foundations findings.

Mr. Meyer joined at 6:20 p.m. and Mr. Letourneau joined at 6:30 p.m.

Committee members raised several discussion topics to Ms. Davis and Mr. Cafiero which included updating the method of payment for Metrobus, customer priorities and the reliability of bus service.

<u>2022 Update of the Annual Report on the Performance and Condition of WMATA</u>

Chair Alcorn introduced the update for the Annual Report on the Performance and Condition of WMATA, which is a legislative requirement for NVTC to produce annually. NVTC's By-Laws charge the NVTC WMATA Committee with providing staff with guidance on updates to the Annual Report. This will be the fifth annual report produced by NVTC and the committee will see a draft of key chapters at the next meeting in October.

Mr. D'huyvetter reviewed the structure of the 2022 Annual Report, as well as the process of streamlining chapters while incorporating feedback from the previous work sessions with the WMATA Committee. He presented the following updated list of strategies:

1) Rebuild customer confidence
2) Enforce fare payment uniformly across the system
3) Implement a simple and convenient fare structure
4) Increase non-fare revenues from real estate and advertising
5) Manage labor costs
6) Explore the implications of local transit agencies assuming the operation of Metrobus services in Northern Virginia
7) Examine and develop options for a new financial operating model for WMATA

Mr. D'huyvetter shared that the first five strategies are directed at WMATA, while the remaining two strategies are directed at NVTC to implement. The sixth strategy would direct NVTC to produce a policy document on the opportunities and challenges of Northern Virginia transit agencies taking full responsibility of bus operations and the seventh strategy would direct NVTC to explore options for a new financial operating model for WMATA by convening a working group with key stakeholders in Northern Virginia. Mr. D'huyvetter shared that staff will continue to work on these strategies and have a draft available for the committee to review at the October meeting.

Mr. Alcorn suggested that the seventh strategy include looking at federal laws and policies and Mr. de Ferranti recommended further clarifying the language under strategy six to further define local transit agencies assuming the operation of Metrobus services in Northern Virginia. Mr. Fye followed up on Mr. Alcorn's suggestion adding that the NVTC Legislative and Policy Committee recently had discussion on what the federal role (directly or indirectly) could be in reference to WMATA's operating model, and Mr. D'huyvetter suggested including language around the role federal transit benefits play in the operating budget.

Mr. Snyder expressed concern that in discussing new funding for WMATA, the ability of the jurisdictions to afford continued subsidy increases would not be adequately considered and that a constrained budget from a jurisdictional subsidy perspective was an important factor. Mr. D'huyvetter clarified that the draft introduction to the annual report on the performance and condition of WMATA frames the current funding model as unsustainable from multiple perspective: 1) a long-term $739 to $924 million operating funding gap that is managed with service cuts is not sustainable for WMATA from a service perspective and 2) solving this gap with jurisdictional operating subsidies when our local governments have limited fiscal tools available is also not sustainable from a fiscal perspective.

Mr. Snyder asked what the origin was of local transit agencies assuming operations of Metrobus to which Mr. Alcorn added that Fairfax County is interested in exploring this topic as over the years the county has experienced increased subsidy and reduced service. Mr. Snyder also mentioned that independent of operator, we should strive for a bus system that is attractive to riders of all types of income and to individuals with other transportation options.

Mr. Letourneau expressed if there was a way to approach federal assistance through the lens of safety and security needs as opposed to a conventional transit operating subsidy. He also shared the WMATA's BNR will inform how Northern Virginia proceeds with exploring assuming operations of Metrobus. Ms. Mattice mentioned the Legislative and Policy Committee meeting discussion on the federal government supporting WMATA with operating funding was expanded to be broad and there is an opportunity to think creatively on this topic. Mr. Meyer added the meeting discussed two approaches in requesting assistance from the federal government:

1) Reiterate WMATA's role in supporting the operations of the federal government and as a transit hub for the federal workforce
2) Search for commonalities among large mass transit systems to build a consensus among members of Congress

WMATA's FY 2024 Budget Outlook

Mr. D'huyvetter reviewed the structural challenges of the FY 2024 operating budget which consist of customer revenue structure, cost structure and subsidy structure. He shared the operating budget gap for FY 2024 stands at $187.4 million and beyond FY 2025 the gap continues to grow to $924 million in FY 2029. WMATA staff are currently looking at the options to close the gap for FY 2024. Mr. D'huyvetter explained the timeline and next steps of the WMATA budget process.

Mr. Letourneau added that there will likely not be enough revenue generated from the options WMATA provided to close the gap. He mentioned fare increases are an option, but that still may not be enough. Mr. Letourneau also added that the conversation around increasing the preventive maintenance transfer will revolve around how much of maintenance should be in the operating versus capital budget. He emphasized that no matter the outcome of the Board's discussions, the same amount of maintenance work would be accomplished. Mr. Letourneau provided an overview of additional options provided to the Board by WMATA staff and commented that jurisdictions will have to decide to either provide WMATA with more money or reduce service/frequencies. He also mentioned the FY 2025 and beyond continues to grow and reiterated the conversation about a sustainable funding model for WMATA.

Mr. Snyder asked how other transit systems are funded to which Mr. Letourneau responded with a dedicated funding source, usually a tax, that flows straight to the transit agencies. He also mentioned that it is more challenging with WMATA because there are three jurisdictions. Mr. D'huyvetter added that NVTC staff has looked at peer transit agencies operating budgets and will present these findings at the October meeting.

Mr. Snyder asked for more details on the preventative maintenance transfer and fare/service optimization, while removing increasing subsidy as an option to close the gap to which Mr. Letourneau responded $145 million would be needed. He mentioned the board and staff are looking at how other systems are handling the preventative maintenance. He also mentioned with fare and service optimization, it will be difficult to make big changes on bus because of the bus network redesign; however, WMATA staff is doing analysis on fare increases and other areas to fill knowledge gaps.

Chair Alcorn adjourned the meeting at 7:33 p.m.

Introduction

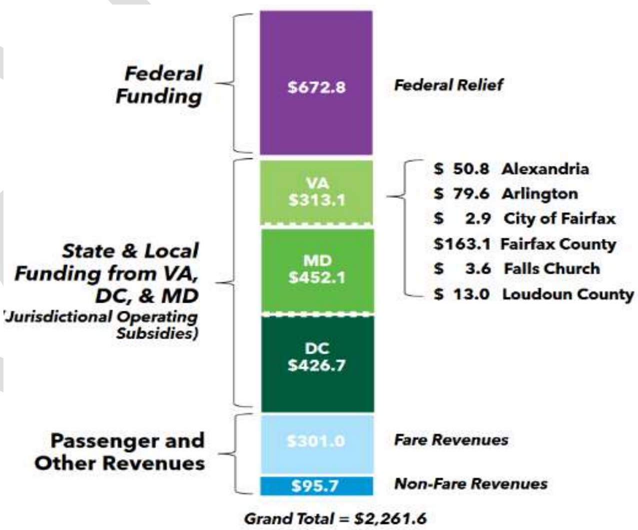
The Washington Metropolitan Area Transit Authority (WMATA) operates heavy rail (Metrorail), bus (Metrobus) and paratransit (MetroAccess) services across the Washington D.C. region and in the Commonwealth of Virginia. WMATA is the third busiest rail transit system and the sixth busiest bus system in the United States. The COVID-19 pandemic resulted in a steep and sudden drop-off in both transit demand and ridership in Northern Virginia and the Washington, D.C. region. WMATA is highly dependent on farebox revenues - especially from Metrorail - to fund operations and reduce pressure on the growth of jurisdictional operating subsidies.

With the emergence of new post-pandemic travel patterns and teleworking in the Washington Metropolitan region remaining substantially higher than pre-COVID levels, both WMATA and transit systems across the United States face a gradual recovery of transit ridership and revenue. In addition, an extended period of reduced service on Metrorail due to the October 2021 Blue Line derailment and subsequent removal and gradual reintroduction of the 7000-series railcars from service has impeded both ridership and revenue recovery.

<u>WMATA's FY 2023 operating revenues</u>

WMATA's operating budget is mainly funded by fare revenues and jurisdictional operating subsidies. The largest category of funding that WMATA receives is the jurisdictional operating subsidies from Virginia, Maryland and the District of Columbia (Figure 1)[1]. In Virginia, these jurisdictional operating subsidies are the responsibility of the six local governments encompassed by the Northern Virginia Transportation Commission – the counties of Arlington, Fairfax and Loudoun and the cities of Alexandria, Falls Church and Fairfax - who use a variety of funds, including the regional gas tax, state aid and their general funds to meet their obligations.

Figure 1: WMATA's FY 2023 Operating Budget Funding Sources *(in millions)*



Source: WMATA Approved FY 2023 Budget

Since FY 2020, federal COVID-19 aid from the Coronavirus Aid, Relief, and Economic Security Act (CARES), Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSSA) and American Rescue Plan Act of 2021 (ARPA) has provided WMATA with over $2.6 billion[2] in federal COVID aid that is projected to be exhausted in WMATA's FY 2024 operating budget. WMATA is not the only major rail transit system experiencing a slow return of ridership and fare box revenues, transit systems across the United States are faced with difficult decisions, including service cuts, to close anticipated budget gaps at a critical time for ridership recovery.

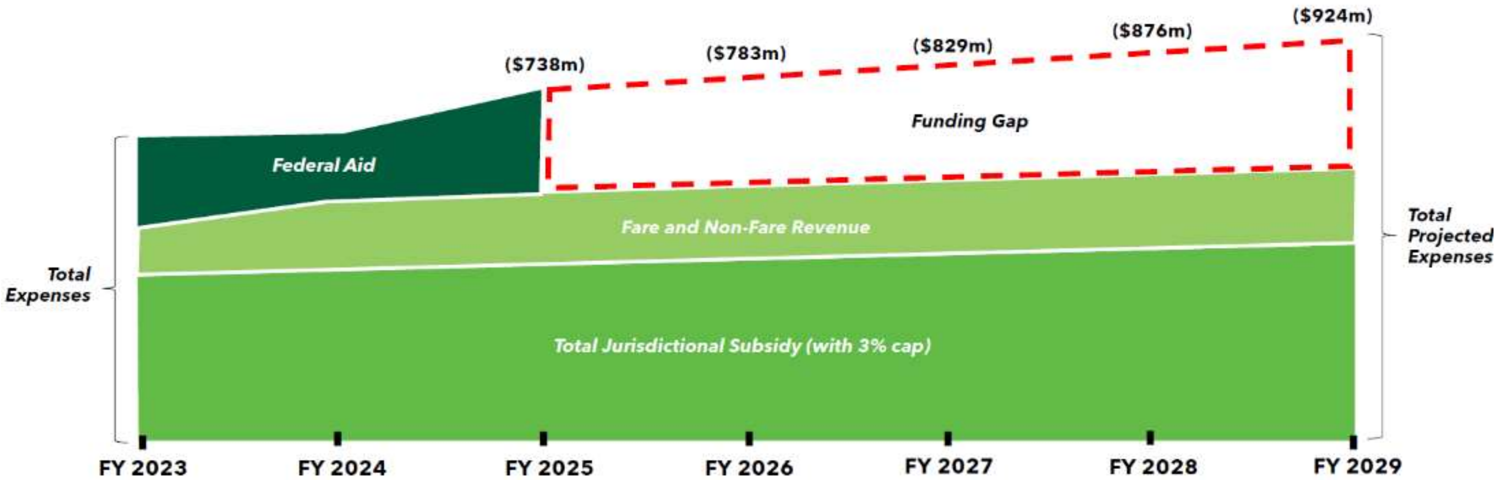
WMATA's FY 2024 operating funding gap

In FY 2024, WMATA will see a significant increase in expenses, primarily due to increasing costs and contractually obligated wage increases related to inflation. On the revenue side, ridership and revenues are expected to continue a gradual recovery (but not to pre-pandemic levels) and jurisdictional annual subsidy growth is constrained by the legislative 3% caps in Virginia and Maryland. This leaves an operating budget funding gap of approximately $184.7 million – which will largely have to be met through a combination of passenger and non-passenger revenue increases, fare increases, expense reductions, service reductions and shifting some operating expenses to the capital program for preventive maintenance.[3] By the time this report is published, the WMATA Board will have begun work sessions to further explore these issues in order to approve a budget around March 2023. The WMATA Compact requires that the WMATA Board adopt a balanced budget.[4]

WMATA's FY 2025 (and beyond) operating funding gaps

While the FY 2024 gap will be challenging, the operating budget still benefits from federal COVID aid, which will not be available in the FY 2025 budget. Assuming a limited long-term ridership recovery, WMATA currently projects the FY 2025 operating budget gap at $738 million which grows to $924 million by FY 2029 (Figure 2).[5] This long-term operating funding gap is partially due to slow ridership recovery, but it would persist with a moderately smaller gap even if ridership recovered to 100% of pre-pandemic levels. These long-term operating gaps are the result of structural challenges to WMATA's operating budget which have been accelerated by the pandemic. Federal aid has acted as a temporary stopgap, and these multi-year operating gaps will necessitate some difficult choices about how to balance expenses and revenues while maintaining momentum on a slow but steady ridership recovery.

Figure 2: WMATA's Long-Term Budget Outlook



Source: WMATA Finance and Capital Committee Meeting September 2022

WMATA's structural operating challenges

The passage of landmark 2018 transit omnibus legislation in Virginia (and mirrored in Maryland and the District) created dedicated capital funding for WMATA and has provided the means to accelerate the capital program to address the state of good repair backlog.[6] While capital funding is currently on stable footing, WMATA's long-term operating financial model faces immediate challenges in its customer revenue structure, cost structure and subsidy structure - structural challenges which have all been accelerated by the pandemic.[7]

Customer revenue structure

In FY 2011, Metrorail had a farebox recovery of 70.2% that dropped to 51.6% in FY 2019. Metrobus had a similar decline, from 26.6% in FY 2011 to 18.7% in FY 2019.[89] WMATA's pre-pandemic financial model was based on high farebox recovery on Metrorail which was itself based on collecting higher peak fares from long-distance commuters. WMATA's pre-pandemic FY 2021 budget assumed that 81% of a total $677.8 million in fare revenue was generated by Metrorail, 64% of which was estimated to come from Metrorail peak fares.[10] This financial model was gradually challenged during the 2010s as low gas prices, gradual increases to telework, fare evasion, the subsidized rise of transportation network companies like Uber and Lyft and Metrorail service reliability issues from deferred maintenance caused declines in ridership.[11] Benefiting from years of state of good repair investments, made possible by dedicated capital funding, Metrorail showed a ridership rebound in early 2020 that was cut short by the onset of the pandemic.[12]

Fare and parking revenues plummeted during the pandemic and have begun a slow and uneven recovery. WMATA's ridership and revenue profile in June 2020 showed a smaller share of ridership and revenue from long-distance and peak hour Metrorail trips when compared to pre-pandemic travel.[13] Teleworking, which was slowly increasing prior to the pandemic, now shapes commuting patterns. In the Washington region, telework and professionals who work a compressed work schedule rose from 10% in 2019 to 48% in 2022. Of riders that have returned, WMATA takes in less revenue than it previously did per ride. This is in part due to increasing fare evasion across the system, which is most notable in the District where fare evasion accounts for 42% of trips on Metrobus.[14]

Cost structure

Given the diverse array of available transportation options in Northern Virginia, customers and the community expect a high level of transit service. As a result, transit is a very labor-intensive operation and approximately 70% of WMATA's operating expenses are related to personnel. For context, in 2021 WMATA had 12,664 authorized positions, approximately 79% of which are covered by a collective bargaining unit. [15] At peak service, WMATA operates 991 buses, 720 MetroAccess vehicles and 998 railcars. [16]

On the expense side, WMATA's structural operating challenges are driven by inflation, contractually obligated and inflation-linked wage increases, substantial unfunded legacy commitments on pensions (net pension liability of $142.6 million in FY 2021) and other post-employment benefits (net OPEB liability of $2.2 billion in FY 2021) and high MetroAccess costs[17]. For FY 2023, the largest multi-year collective bargaining agreements include 2.5% wage increases, with additional increases tied to the rate of inflation as measured by the Consumer Price Index (CPI) each May.

Subsidy structure

WMATA has no dedicated operating revenues and relies on its funding jurisdictions to pay operating subsidies on an annual basis. High annual percentage increases in jurisdictional operating subsidies are unsustainable for our jurisdictions to maintain as they are reliant on a limited number of fiscal tools and have many competing priorities as local governments. Between FY 2011 and FY 2019, increases in jurisdictional operating subsidies averaged approximately 10% per year for Virginia. [18] Most of the jurisdictional operating subsidy increases during this decade were to offset declining farebox recovery rates for Metrorail while maintaining service levels and bringing Silver Line Phase 1 online. Year-over-year, this structural disconnect was managed in the budget process via increased jurisdictional subsidy, fare increases, minor service reductions and management actions to find cost savings.

Since the implementation of the 3% cap on operating subsidies (which includes specific legislative exclusions), jurisdictional operating subsidy increases have been much more modest.[19] However, these fiscal year operating budgets were buoyed by significant pre-pandemic fare revenues and/or federal COVID aid. The 3% cap on the annual growth in operating subsidies simultaneously limits WMATA's ability to increase jurisdictional subsidies and protects our jurisdictions from subsidy increases they cannot afford. However, in the context of the larger structural challenges at play in the operating budget, it is one factor in the current fiscally unsustainable path forward.

<u>Adjusting transit services to a new post-pandemic reality</u>

The COVID-19 pandemic accelerated teleworking trends and altered regional and commuting travel patterns in an unprecedented manner. WMATA has taken several immediate steps to re-align its services with post-pandemic travel patterns on Metrorail and Metrobus:

1) Established a frequent all-day Metrorail service plan, adopting rail service standards that set minimum train frequencies at 12 minutes for most lines (seven days a week from opening to 9:30 p.m.), with flexibility to increase frequencies during peak hours[20].

2) Implemented a frequent Metrobus network of 12-minute headways on 20 lines and 20-minute headways on 16 lines from 7:00 a.m. to 9:00 p.m., seven days a week.

3) Started the multi-year Bus Network Redesign, which will collaboratively redesign the Metrobus, Fairfax City CUE, and Prince George's County bus networks – in coordination with other local transit providers - to be more efficient and customer friendly. This effort, like the network redesign of Richmond's bus network in 2018 and Alexandria's DASH in 2021, will better align service with travel patterns and realign the bus network to respond to post-pandemic travel patterns.

With new leadership and the gradual restoration of 7000-series trains to the Metrorail system, WMATA has the momentum to bring back riders and serve new customers along the Silver Line Phase 2 in Loudoun and Fairfax Counties and the Potomac Yard Station in Alexandria. WMATA is an essential driver of the region's prosperity, mobility, land use and economic growth, but the pandemic has accelerated structural trends present in WMATA's operating financial model to reach an inflection point over the next two years. Barring any additional federal operating support, the next two years will be critical in establishing what the WMATA of the future will look like, how it will operate service and how it will be funded. NVTC looks forward to working with our jurisdictions, our partners in the General Assembly and the Youngkin Administration.

Safety, Reliability, Financial and Ridership Performance Data

A large portion of this report is dedicated to tracking the key safety, reliability, financial and ridership metrics shown in chapters 3-5. Data included in the report (Table 1) come from the National Transit Database (NTD) and WMATA Metro Performance Reports (MPR). Some data points have a lag of 12 to 18 months, meaning that for this report all current data sources will cover some time period that reflects the impacts of the COVID-19 pandemic, with some data sources covering more than others. The pandemic has impacted each metric in different ways which will be further discussed in chapters 3-5.

Table 1: Data Sources and Years Presented in this Report

Report Category	Latest Year for which Data is Publicly Available	Data Source
Safety	Calendar Year 2021 *(January 1, 2021 to December 30, 2021)*	NTD
Reliability	Fiscal Year 2022 *(July 1, 2021 to June 30, 2022)*	MPR
Financial Performance	Fiscal Year 2021 *(July 1, 2020 to June 30, 2021)*	NTD
Ridership	Fiscal Year 2021 *(July 1, 2020 to June 30, 2021)*	NTD

Legislative Requirement for this Report

This report fulfills the requirements of §33.2-3402 of the Code of Virginia, pursuant to Chapter 854 of the 2018 Virginia Acts of Assembly, specifying that NVTC report annually on the performance and condition of WMATA, for both Metrorail and Metrobus. Per statute, the report addresses six elements:

- Potential strategies to reduce the growth in costs and to improve the efficiency of WMATA operations
- Use of the dedicated capital funds authorized by the legislation to improve the safety and condition of the rapid heavy rail mass transportation system
- The safety and reliability of the rapid heavy rail mass transportation system and bus network
- The financial performance of WMATA related to the operations of the rapid heavy rail mass transportation system, including farebox recovery, service per rider and cost per service hour

- The financial performance of WMATA related to the operations of the bus mass transportation system, including farebox recovery, service per rider and cost per service hour
- Ridership of the rapid heavy rail mass transportation system and the bus mass transportation system

[1] Figure 1 includes reimbursables but does not include debt service from the jurisdictions.
[2] Federal COVID relief funds provided WMATA with $2.9 billion in funding, and this included funding that was provided as a credit of non-federal funding to the jurisdictions to maintain local transit service. The $2.6 billion shown in this report is the net amount to WMATA.
[3] WMATA. "FY 2024 Budget Outlook." September 22, 2022. <https://wmata.com/about/board/meetings/board-pdfs/upload/4A-FY2024-Budget-Outlook.pdf>
[4] WMATA. "WMATA Compact." October 2022. <https://wmata.com/about/board/upload/Compact_Annotated_2009_final.pdf>
[5] WMATA. "FY 2024 Budget Outlook." September 22, 2022. <https://wmata.com/about/board/meetings/board-pdfs/upload/4A-FY2024-Budget-Outlook.pdf>
[6] Virginia Legislative Information Services. "Virginia Acts of Assembly – 2018 Reconvened Session, Chapter 854" May 2018. < https://lis.virginia.gov/cgi-bin/legp604.exe?181+ful+CHAP0854+pdf>
[7] WMATA. "FY 2024 Budget Outlook." September 22, 2022. <https://wmata.com/about/board/meetings/board-pdfs/upload/4A-FY2024-Budget-Outlook.pdf>
[8] WMATA. "FY 2022 Adopted Budget." July 2021. < https://wmata.com/about/records/upload/FY2022_Approved_Budget_Final_071421.pdf>
[9] WMATA. "FY 2011 Adopted Budget." September 30, 2010. < https://wmata.com/about/records/public_docs/upload/Approved_FY2011_Annual_Budget.pdf>
[10] WMATA. "FY 2021 Budget Update; FY 2022 Budget Outlook and Approval for Public Hearing for FY 2021 Budget Amendment." September 10, 2020. <https://www.wmata.com/about/board/meetings/board-pdfs/upload/3B-Action-Item-FY21-and-FY22-Budgets-v6-2.pdf>
[11] WMATA. "Understanding Rail and Bus Ridership." October 12, 2017. <https://www.wmata.com/about/board/meetings/board-pdfs/upload/3A-Understanding-Ridership-TO-POST.pdf>
[12] WMATA. "Metro Ridership Snapshot." February 2020. <https://www.wmata.com/initiatives/ridership-portal/upload/February-2020-Ridership-Snapshot.pdf>
[13] WMATA. "FY 2024 Budget Outlook." September 22, 2022. <https://wmata.com/about/board/meetings/board-pdfs/upload/4A-FY2024-Budget-Outlook.pdf>
[14] WMATA. "Quarterly Fare Evasion Update." February 10, 2022. <https://wmata.com/about/board/meetings/board-pdfs/upload/3B-Quarterly-Fare-Evasion-v2.pdf>
[15] WMATA. "Comprehensive Annual Financial Report for the Fiscal Years ended June 30, 2021 and 2020." <https://wmata.com/about/records/upload/Comprehensive-Annual-Financial-Report-for-the-Fiscal-Years-Ended-June-30-2021-and-2020.pdf.>
[16] WMATA. "Comprehensive Annual Financial Report for the Fiscal Years ended June 30, 2021 and 2020." <https://wmata.com/about/records/upload/Comprehensive-Annual-Financial-Report-for-the-Fiscal-Years-Ended-June-30-2021-and-2020.pdf.>
[17] WMATA. "Comprehensive Annual Financial Report for the Fiscal Years ended June 30, 2021 and 2020." <https://wmata.com/about/records/upload/Comprehensive-Annual-Financial-Report-for-the-Fiscal-Years-Ended-June-30-2021-and-2020.pdf.>
[18] NVTC. "Report on Virginia's 3% Cap; on the Growth in Operating Assistance Payments to the Washington Metropolitan Area Transit Authority." November 2020. <http://www.novatransit.org/uploads/WMATA/NVTC_3PctCap_FullReport_WEB.pdf>
[19] NVTC. "Report on Virginia's 3% Cap; on the Growth in Operating Assistance Payments to the Washington Metropolitan Area Transit Authority." November 2020. <http://www.novatransit.org/uploads/WMATA/NVTC_3PctCap_FullReport_WEB.pdf>
[20]WMATA "Bus and Rail Fleet Plans and Rail Service Standards." December 19, 2021. <https://wmata.com/about/board/meetings/board-pdfs/upload/11B-Bus-and-Rail-Fleet-Plans-Rail-Service-Standards-FINALIZED.pdf>

1. Strategies to Reduce the Growth in Costs and Improve Operational Efficiencies

This chapter offers policy recommendations that will help to reduce the growth in costs and improve operational efficiencies at WMATA, as called for in state code. These strategies are generally aimed at either controlling expenses and/or boosting revenues, mostly through increased ridership. New to this year's report are two recommendations for NVTC, which are uniquely suited to the Commission's policy, funding and coordination role. These efforts could result in strategies directed at WMATA in future reports.

Strategy 1: WMATA should rebuild customer confidence

- Return the 7000-series railcars to service and offer frequent and reliable rail service

Increasing ridership and revenue are dependent on WMATA's efforts to rebuild trust with riders and this starts with returning the 7000-series railcars to service and providing frequent and reliable rail service. Since the Blue Line derailment in October 2021, riders have been faced with greatly reduced service and declines in on-time performance and reliability, resulting in a drop in customer satisfaction. While efforts to restore 7000-series railcars are underway and showing positive momentum, Northern Virginia riders have experienced over a year of long waits between trains, all while offices started to implement their return to office plans and residents were eager to attend regional events. Restoring frequent and reliable rail service will rebuild rider confidence and attract new and returning riders.

- Improve the physical safety and security of customers

Customers should feel safe on Metro. Rising crime, perceptions of crime and misconduct in and around our region is spilling onto Metrorail and Metrobus systems, deterring current and potential riders. Crimes against persons are higher than pre-pandemic levels and parallel with trends seen regionally and nationally, causing concerns for employees and riders.[1] WMATA should continue to enhance its safety and security efforts to engage the community, target enforcement efforts and increase police visibility on buses and trains and in stations.[2][3] Another element related to improving the physical safety and security of riders is enforcing fare payment, which is detailed further in Strategy #2.

- Reform the management and safety culture

In 2022, WMATA faced safety and management challenges including the restoration of the 7000-series railcars, lack of train operator recertification and unsafe third rail power operations.[4] [5] As a result of these setbacks, there is a broad lack of confidence that WMATA fosters an organization-wide safety culture. WMATA's own internal investigation into the lack of train operator certification found that WMATA's "independent oversight of the training and certification functions was immature" and that decisions were made within certain parts of the organization that were not shared more broadly.[6] With a new General Manager hired by the WMATA Board of Directors, WMATA needs to show real, sustained progress on overhauling WMATA's management and safety cultures.

Strategy 2: WMATA should enforce fare payment uniformly across the system

- Work with partner jurisdictions to enforce fare payment to address customer safety and security

Riders who came back to WMATA in 2022 found a system that is less safe and secure than what they experienced pre-pandemic. When comparing the first two quarters of FY 2021 to the same time period in FY 2022, employee injuries due to stress and assault tripled. Seventy front-line staff were threatened or assaulted and over 30 more witnessed violence or a shooting.[7] Crimes against persons are higher than pre-pandemic levels and parallel with trends seen regionally and nationally, causing concerns for employees and riders.[8] The Metro Transit Police Department (MTPD), not bus operators or station managers, are responsible for enforcing fare payment, and MTPD must follow the fare evasion laws of each respective state or local government within which they operate. These laws vary from a civil or a criminal offense in Virginia and Maryland jurisdictions, depending on the city or county. In Washington, D.C., fare evasion was a criminal offense until the district decriminalized fare evasion to a civil offense in 2019. After nearly four years, the district only recently created an adjudication process to allow MTPD to enforce fare evasion as a civil fine. On October 4, WMATA announced the launch of a warning campaign aimed at deterring fare evasion, with enforcement efforts beginning in November.[9]

This uneven enforcement shows up in the data. Estimates prior to the coronavirus pandemic show that for Metrobus systemwide, fare evasion was 17% in the first and second quarters of FY 2020 (pre-pandemic) and 34% in the first and second quarters of FY 2022.[10] The distribution of this increase is extremely uneven, with the district increasing from 22% to 42%, Maryland increasing from 16% to 34%, and Virginia increasing from 2% to 6% during the same time period.[11] New faregates are capable of recording occurrences of fare evasion, and NVTC encourages WMATA to release their findings as soon as possible. WMATA is also piloting faregate designs that better deter fare evasion. WMATA conservatively estimates revenue losses due to fare evasion totaling $40 million in FY 2022.[12] Enforcing fare payment is critical to creating a safe, secure and financially sustainable transit system.

- Engage partner jurisdictions to offer jurisdictionally sponsored low-income fare products

For riders who may be unable to afford their transit fare, funding jurisdictions have the option to enter into fare buy-down agreements with WMATA to provide a fare subsidy to specific groups of riders.[13] The district uses this model to offer free transit to all students who sign up for the DC Kids Ride Free Program, and Montgomery County and Fairfax County also offer similar programs to eligible students.[14] [15] Arlington County has a similar program for students to ride free on Arlington Transit, while the City of Alexandria and City of Fairfax are paying for fare free service for all riders on DASH and CUE. The district has also started a low-income fare pilot that offers fare subsidies to low-income riders.[16] Successful implementation of fare buy-down agreements, however, relies on riders tapping their cards when riding transit to secure accurate faregate ridership data. This is critical to ensuring that these programs are being appropriately billed to the sponsoring jurisdiction and that WMATA is accurately counting and submitting its ridership statistics to the FTA, which is an important factor in how much federal funding WMATA receives. WMATA should continue to engage its jurisdictional partners to conduct education and outreach on these programs and the importance of properly using subsidized fare media.

Strategy 3: WMATA should implement a simple and convenient Metrorail fare structure

- Overhaul the fare structure and customer experience to be simple, customer-focused and built to drive ridership and revenue

WMATA should explore a flat or zone-based fare system to attract new riders and new types of riders in a changing transportation landscape. In 2021 and 2022, WMATA instituted a weekend rail and late-night (after 9:30 p.m.) flat rail fare of $2 and implemented free transfers between Metrobus and Metrorail.[17] The enactment of the $2 weekend and late-night flat fare provided a simple fare structure to attract riders back to the system and serv changing travel patterns; however, they required budgetary offsets to mitigate the lost revenue from enacting these fare discounts. While pursuing this strategy, WMATA must balance fare simplification with the need to generate enough fare revenue to maintain services.

Metrorail offers a distance-based fare system with rates that vary based on the day of the week and time of day. Fares range from $2.25 to $6.00 and from $2.00 to $3.85 during peak and off-peak hours, respectively.[18] This structure creates a confusingly large number of fare combinations, depending on which stations a rider is traveling to and from, and the time of day. While confusing, this fare structure historically created high levels of farebox recovery, as many long-distance riders have transit benefits through their employers (which is often the federal government). However, changing travel patterns and a significantly higher amount of telework in the post-pandemic recovery severely undermine this model. In the Washington region, telework and professionals who work a compressed work schedule rose from 10% in 2019 to 48% in 2022.[19]

- Create a seamless and convenient customer experience that makes it easy to pay fares and manage transit benefits

In order for a new fare structure to be successful and drive ridership and revenue, it must be customer-friendly and seamless. As employees return to the office and come back to transit, WMATA should make their return as easy as possible, including how they receive and manage their transit benefits. Prior to the pandemic, 48% of riders were federal employees on an average weekday.[20] Making fare payment as frictionless as possible for all types of riders, including those using transit benefits and passes, is critical to bringing back ridership.

- Integrate local and regional transit providers into WMATA's fare structure and fare payment systems.

Beyond WMATA, all transit service providers in Northern Virginia are part of the regional fare collection SmarTrip system, except Virginia Railway Express (VRE), the Commonwealth's only commuter rail system. Riders, however, are agnostic to providers and WMATA should accelerate its efforts at creating revenue agreements and the appropriate fare policy infrastructure to integrate VRE (and MARC in Maryland) into a fully integrated fare and pass system.

Strategy 4: WMATA should continue to increase non-fare revenues from real estate and advertising

- Continue to partner with local jurisdictions and maximize the transformative opportunities for joint development on WMATA land

Transit agencies across the U.S. rely on a host of funding sources to manage their operating budgets. Non-fare revenues are one of the tools used by transit agencies to increase revenues and make the system more efficient. In FY 2023, non-fare revenues were budgeted to account for 4% of operating expenses and totaled $81.4 million.[21] Non-fare revenue for WMATA includes joint development, advertising, parking, fiber optics and property leases. WMATA's joint development program involves private real estate development on WMATA owned property in conjunction with the construction and/or modernization of public transit facilities. The joint development program delivers valuable benefits such as increased ridership, new revenue from fares and real estate proceeds. New housing and business opportunities near transit generate new state and local taxes on formerly undeveloped and tax-exempt land. Since 1975, WMATA has completed 55 joint development projects on 17 million square feet of mixed-use development that generate $194 million in annual state and local tax revenue and close to five million additional Metro trips annually.[22] Completed joint development projects accumulate between $8-11 million in annual lease revenue to WMATA.[23]

In April of 2022, WMATA released its *10-Year Strategic Plan for Joint Development* which seeks to implement 20 new joint development agreements by 2032.[24] The 10-year plan seeks to accelerate development that generates new Metro ridership and revenues, prioritizes Metro planning and investments, aligns WMATA and jurisdictional interests and attracts private sector investment. It is estimated that future joint development will produce 9 million new annual Metro trips, $40 million in new annual Metro fares and $50 million in new potential annual lease revenue.[25] WMATA should continue to partner with local jurisdictions and maximize the transformative opportunities for joint development on WMATA owned land.

Strategy 5: WMATA should seek to manage labor costs

- Manage labor cost escalation in collective bargaining

Personnel costs account for 68% of WMATA's operating expenses.[26] Most WMATA employees are unionized and covered by a collective bargaining agreement (CBA). Collective bargaining agreements set forth the wage increases, benefits and other employment conditions with that specific bargaining unit. For FY 2023, the largest multi-year collective bargaining agreements include 2.5% wage increases, with additional increases tied to the rate of inflation as measured by the Consumer Price Index (CPI) each May. High levels of inflation required WMATA to amend the FY 2022 operating budget to account for an additional $20.9 million in wage increases beyond what was budgeted.[27] This increase was offset by using additional federal aid, which reduced WMATA's ability to manage future operating budget gaps.

- Seek amendments to the National Capital Area Interest Arbitration Standard Act (Wolf Act) of 1995

Collective bargaining agreements (CBA) are negotiated between management and labor, and if both parties agree, the result is called a negotiated CBA. If both sides cannot agree, then the WMATA Compact calls for both parties to enter binding arbitration, where, if negotiations continue at an impasse, an arbitration panel will determine the outcome.[28]

The Wolf Act governs the actions of arbiters in the arbitration of labor disputes involving transit agencies operating in the national capital area.[29] WMATA has found that in prior cases the arbiter has not adequately considered WMATA's financial capacity and the ability of the jurisdictions to pay. Amending the Wolf Act to tighten these provisions to require consideration of WMATA's financial capacity and the ability of the jurisdictions to pay as part of the arbitration process is an important component of resolving the long-term structural operating gap that WMATA faces.

Strategy 6: NVTC should explore the implications of local transit agencies assuming the operation of Metrobus services in Northern Virginia

- Identify the challenges and opportunities of local transit agencies assuming the operation of Metrobus services in Northern Virginia

Five local transit operators (DASH, ART, CUE, Loudoun County Transit and Fairfax Connector) and Metrobus provide local bus service in the Northern Virginia Transportation District.[30] Local transit operators provide 62% of all local transit service in Northern Virginia[31] and each jurisdiction balances local and Metrobus service in different ways. Some jurisdictions, like Loudoun County, have no Metrobus service and rely on their local operator, while others, like the City of Falls Church, do not have a local operator and rely on Metrobus. The remaining NVTC jurisdictions fall somewhere in between. Over the last 10-20 years, Virginia has typically added transit service through local bus operators and/or through service takeovers from Metrobus, resulting in a steady increase in the overall share of local transit provided by Northern Virginia operators.

While the amount of local transit service provided in Northern Virginia has increased over time, the amount of Metrobus service provided to Virginia has decreased from FY 2016 to FY 2023. 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 as service patterns have been changed to respond to post-pandemic travel patterns. The results of WMATA's Bus Network Redesign in late 2023 will inform the future direction of the allocation of Metrobus service within Virginia, Washington, D.C. and Maryland. [32]

With local transit agencies assuming the operation of Metrobus services, WMATA can reduce expenses while the jurisdictions could see reduced operating subsidies. Such a direction, however, may generate a host of intended or unintended policy implications that must be considered and explored. NVTC staff should evaluate the policy, funding, capital facility, governance, labor and other considerations of Northern Virginia local transit agencies assuming the operation of Metrobus services in Northern Virginia. The results of such an effort would help jurisdictions and NVTC chart a course on the role of Metrobus and local transit operators in Northern Virginia.

Strategy 7: NVTC should examine and develop options for a new financial operating model for WMATA

- Evaluate WMATA's short-term and structural operating budget gaps within the context of Virginia's unique jurisdictional funding and modal relationship with WMATA

The pandemic has accelerated a structural disconnect between expense and revenue growth that was present before the pandemic. With a loss of fare and non-fare revenues due to the pandemic, federal COVID aid has balanced the operating budget since FY 2020 and will continue to be available until the FY 2024 budget, where it will only cover some of the operating funding gap. The FY 2024 operating budget funding gap of $184.7 million will entail some difficult decisions to resolve, which may involve service reductions. The gap grows to $738 million in FY 2025, and this magnitude of a funding gap would entail severe reductions to bus and rail service. These potentially severe service reductions would be during a critical period in WMATA's recovery and are potentially devastating to permanent ridership recovery and the economic health of Northern Virginia.

WMATA's pre-pandemic financial model, relying on high farebox recovery from peak-period, long-distance commuters, is gone, and WMATA, Virginia and the region must develop a new model and a sustainable approach to aligning WMATA's expense and revenues. Riders want frequent and reliable, high quality transit service that meets their needs in a competitive transportation landscape. NVTC wants WMATA to succeed given its role in mobility, congestion relief and economic development. The funding jurisdictions also need to be protected against unsustainable subsidy increases that cannot be maintained through existing general fund revenues. Given the complicated governance and funding relationship Virginia has with WMATA, NVTC will begin this conversation with the creation of a WMATA Operating Funding and Reform Working Group comprised of jurisdictional and DRPT staff experts and key stakeholders.

- Examine existing and new operating revenues

The WMATA Operating Funding and Reform Working Group would examine how to align expenses with revenues at WMATA with a focus on existing and new revenue sources. As the operating budget continues to face long-term challenges, WMATA and the funding jurisdictions should look to develop a new financial operating model including the creation of a new stable funding stream to sustain the system. Local jurisdictions are reliant primarily on property taxes for generating local revenues, and they cannot sustain significant year-over-year subsidy increases.

- Explore opportunities to reform WMATA policies and state and federal laws or policies around WMATA budget and subsidy

The WMATA Operating Funding and Reform Working Group would evaluate all related WMATA policies and state and federal laws or policies related to the WMATA budget, subsidy process and broader funding model. At the state level, this may include the 3% cap on the annual growth in operating subsidy and associated Commonwealth Transportation Board (CTB) policies. At WMATA, this may include the way Metrobus subsidies are allocated and how WMATA implements the 3% cap on the annual growth in operating subsidy. At the federal level, it may include federal support (directly or indirectly) for transit operations, most notably the role of transit benefits and the federal workforce.

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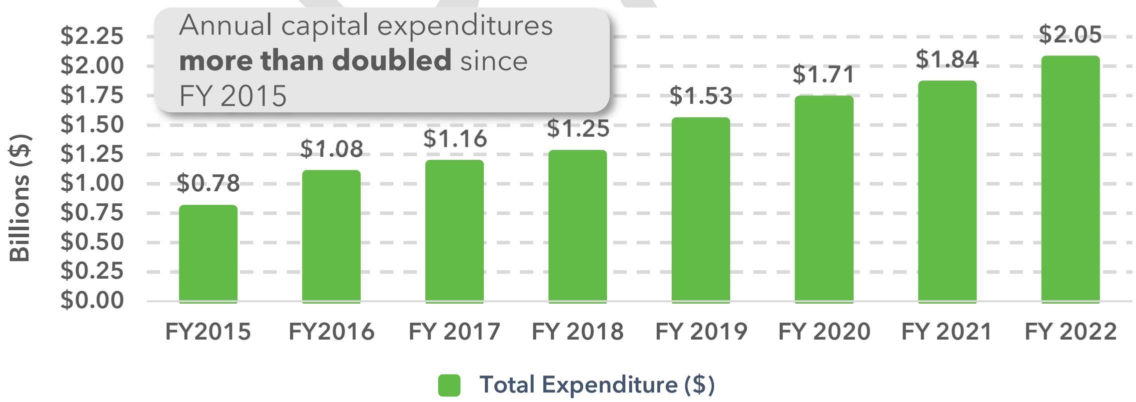
2. Use of Dedicated Capital Funds

In 2018, the Commonwealth of Virginia, the State of Maryland and the District of Columbia worked together to commit $500 million a year in dedicated funding for capital investments at WMATA. Virginia's annual portion of this dedicated capital funding is approximately $154 million, with the District of Columbia and State of Maryland providing the remaining portions. This dedicated capital funding strengthens WMATA's ability to embark on large, multi-year capital investments designed to address significant state of good repair needs. Virginia's dedicated capital funding supports WMATA's capital investments and project delivery across the system and can be used for any capital purpose. Of the $154 million from Virginia, approximately $124.5 million per year is bondable.

Prior to securing dedicated capital funding, WMATA's state of good repair backlog was estimated at $7.1 billion in 2016. By FY 2019, WMATA's state of good repair backlog was estimated at approximately $5 billion, and if sufficient funding is made available could be reduced to $1.2 billion by FY 2032.[1] In FY 2015, WMATA spent $780 million on its capital program. Over the last seven years, WMATA has ramped up its annual capital expenditures to address this backlog and other modernization needs. With a sustained focus on capital renewal made possible by the ability to issue bonds backed by dedicated capital funding, WMATA has more than doubled its capital expenditures to a record high $2.05 billion in FY 2022 (Figure 1). Since the funding's inception, WMATA has authorized over $1.4 billion in dedicated capital funding bonds, which will be paid for with future dedicated capital funding revenues. Dedicated capital funding will continue to support the capital program in the upcoming FY 2024 to FY 2029 CIP, during which time WMATA will reevaluate the continuing availability of dedicated capital funding as a source for debt service.

Figure 1: WMATA Annual Capital Expenditures from FY 2015 to FY 2022



Source: WMATA FY 2015-2022 financial reports

WMATA uses several sources to fund its capital program including federal funding, regional dedicated funding, state and local contributions and other sources. As required by law, NVTC must include the uses of funds from the WMATA Capital Fund (Virginia's dedicated capital funding) from the prior fiscal year in this report. Table 2 shows the actual expenditures of the fund for FY 2022 by Capital Improvement Plan (CIP) Program Area. WMATA provides additional information on progress made in the overall capital program during FY 2022 in WMATA's Quarter 4 FY 2022 Capital Improvement Program Progress Report.[2]

Table 2: FY 2022 Expenditures from the Virginia WMATA Capital Fund by CIP Program

CIP Category	CIP Program	FY 2022 Actual Expenditures (millions)
Railcar Investments	Railcar Acquisition	$10.85
	Railcar Maintenance/Overhaul	$13.19
	Railcar Maintenance Facilities	$4.45
	Total	**$31.31**
Rail Systems Investments	Power	$7.42
	Signals & Communication	$10.49
	Total	**$17.91**
Track and Structures Rehabilitation Improvements	Fixed Rail	$9.98
	Structures	$15.81
	Total	**$25.79**
Stations and Passenger Facilities Investments	Platforms & Structures	$6.18
	Vertical Transportation	$2.85
	Station Systems	$27.28
	Total	**$36.30**
Bus and Paratransit Investments	Bus and Paratransit Acquisition	$1.19
	Bus Maintenance/Overhaul	$4.80
	Bus Maintenance Facilities	$2.13
	Bus Passenger Facilities/Investments	$2.89
	Total	**$11.01**
Business Support Investments	Information Technology	$13.23
	Metro Transit Police Department	$0.34
	Support Equipment/Services	$10.86
	Total	**$24.44**
Total Capital Programs		**$146.76**

Source: WMATA[3]

Note: Totals may not add due to rounding. Due to the timing of the publication of this report, these expenditures are preliminary and do not represent final audited expenditures Approximately $6.8 million of debt service is obligated against this funding source but has not yet been recognized in Metro's accounting system. When this amount is added to the expenditures through June 30, 2022 approximately $153.6 million has been spent of the $154.5 million Virginia dedicated capital funding contribution.

In FY 2022, WMATA invested more than $2 billion in capital projects with a priority to invest in state of good repair projects. Significant FY 2022 capital accomplishments included:

Near completion of platform rehabilitation program
As of June 30, 2022, the four-year Platform Improvement Project was nearly complete with 17 outdoor stations rehabilitated and improved. In the first quarter of FY 2023, all 20 stations will be substantially completed, 11 of which were in Virginia. In FY 2022, WMATA also rehabilitated 6 elevators and 21 escalators and completely replaced 17 escalators.

CIP program category: Stations and Passenger Facilities Investments

Increased Metrobus fleet reliability
In FY 2022, WMATA acquired 119 new clean diesel 40-ft buses, completed 83 bus rehabilitations and rebuilt 230 fareboxes, 99 transmission assemblies and 65 engine assemblies. Metrobus fleet reliability has been above target for FY 2021 and FY 2022. [4]

CIP program category: Bus and Paratransit Investments

Launched tunnel ventilation improvements pilot
WMATA began construction of mezzanine platforms over Metrorail tracks on the Red Line to support upgraded ventilation fans and electrical systems, which will increase station and tunnel safety in the event of a smoke or fire emergency. This pilot project and results will be used to inform designs for potential future tunnel ventilation improvements across the Metrorail system.

CIP program category: Track and structures rehabilitation

Advanced bus garage modernization program
WMATA is aggressively reconstructing and upgrading bus facilities. The Bladensburg bus maintenance and operations facility has advanced through demolition activities and will begin construction in FY 2023. When completed, the facility will accommodate up to 300 buses with capabilities to support electric vehicle charging infrastructure and equipment. Pre-construction activities have advanced at the Northern Bus Garage Facility, which will be rebuilt to accommodate up to 150 buses and will support electric bus operations and maintenance.

CIP program category: Bus and paratransit investments

Upgraded power and automatic train control systems

In FY 2022, WMATA completed the Rosslyn cable tray replacement and installation of additional switchgear equipment. This work will facilitate operation of more eight-car trains in passenger service, reduce potential speed restrictions and reduce the risk of safety incidents. The major replacement work of the Alexandria Yard Automatic Train Control (ATC) system was also completed. This system helps with the automatic control of train speed and spacing.

CIP program category: Rail systems investments

Addressed high priority track rehabilitation work

Using planned shutdowns and other forms of track availability, WMATA rehabilitated structural components, deck joints, concrete and grout pads that support the track structure, as well as replaced illegible roadway track signs, repaired leaks, rehabilitated drains and cleaned track beds. WMATA addressed structural issues at Minnesota Avenue aerial structure, the Grosvenor aerial structure, and at eight segmental bridges. The Yellow Line Tunnel and Bridge Rehabilitation project was awarded in Q4 2022 and will address the structural degradation of the Yellow Line tunnel and bridge.

CIP program category: Track and structures rehabilitation investments

Opened new headquarters at L'Enfant Plaza

In FY 2022, WMATA began use of its new headquarters in Washington, D.C. Completion of the Virginia and Maryland offices is expected in FY 2023 as part of the Office Consolidation Strategy. This will allow WMATA to downsize from ten office buildings to four, reducing operating expenses and improving operations.

CIP program category: Business and operations support investments

Continued railcar fleet rehabilitation and acquisition

Throughout FY 2022, WMATA rehabilitated two 2000-series, 52 3000-series and 28 6000-series railcars as part of its rail vehicle maintenance program. The investigation of the 7000-series wheelsets continued in FY 2022, and WMATA resumed work on other components of 7000-series railcar maintenance. WMATA also installed eight railcar training simulators and advanced conceptual design work on the 8000-series railcars, which will replace the aging 2000 and 3000-series railcars.

CIP program category: Railcar and railcar facilities investments

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