



# NVTC WMATA Committee

Thursday, September 21, 2023

6pm



# Meeting Agenda

1. Welcome and Opening Remarks
2. Review April 19 NVTC WMATA Meeting Summary
3. Update on NVTC's WMATA Operating Funding and Reform Working Group
4. Metrobus Service and Subsidy Trends
5. Other Items

# **Agenda Item #3**

**Update on NVTC's WMATA  
Operating Funding and Reform  
Working Group**

### 3. NVTC's WMATA Operating & Reform Working Group

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#### Problem

- Metro faces structural operating and capital funding deficits
- In the short-term, Metro faces an operating funding gap of up to \$750M in FY 2025 which grows to over \$1.2B by FY 2035\*
- Scale of funding gaps and traditional subsidy's reliance on property tax in VA is unsustainable

\*Source: WMATA Finance and Capital Committee Presentation, June 22, 2023.

#### Working Group Purpose and Outcomes

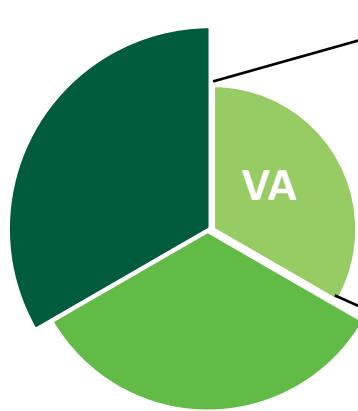
- Examine and develop options for a new financial operating model for Metro with a focus on examining new Virginia revenues
- Provide options and technical information to Commissioners
- Seek policy and legislative guidance through the WMATA Committee and Legislative and Policy Committee for inclusion in NVTC Legislative Agenda

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#### Working Group Approach

##### Potential Dedicated Funding to Metro



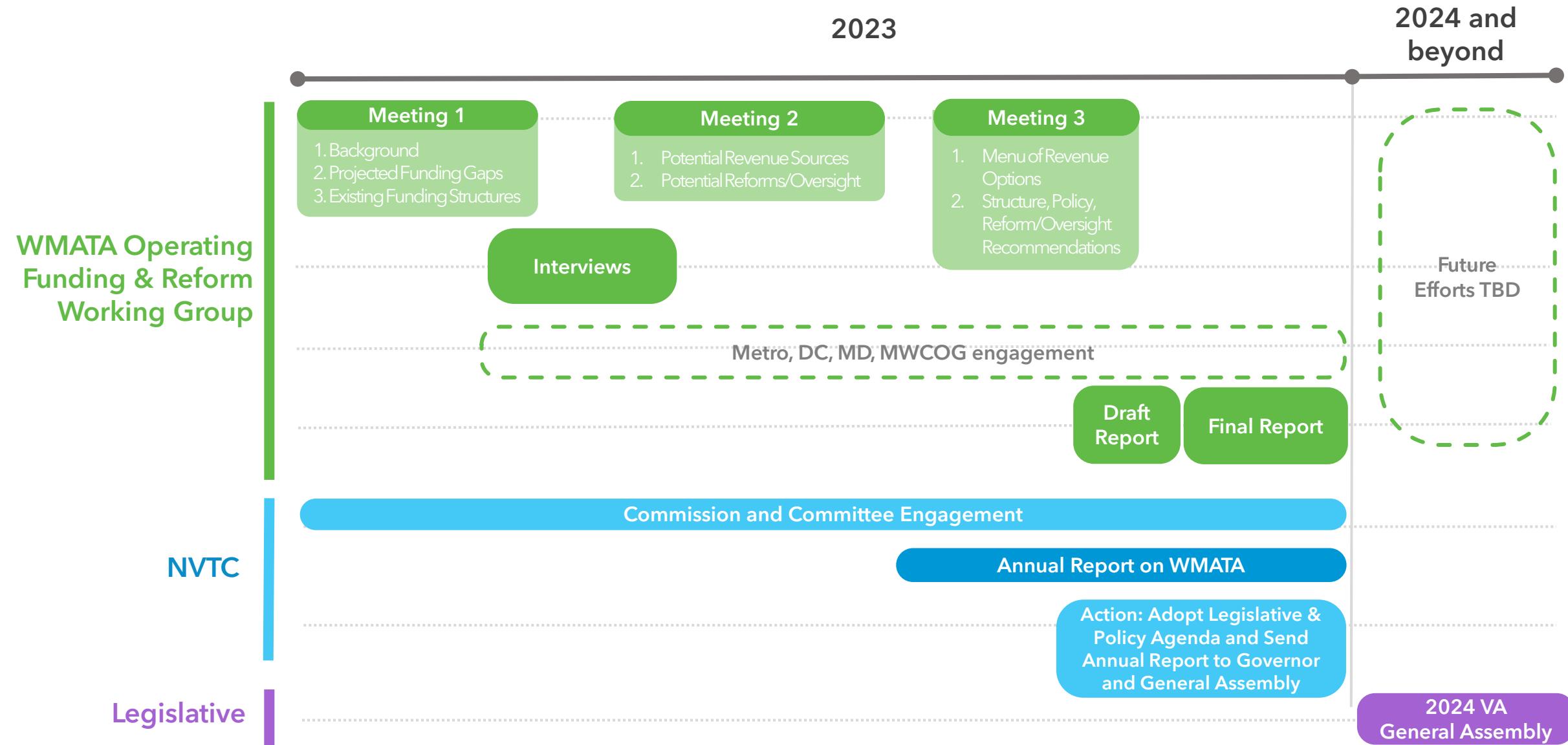
*Menu of revenue options and recommendations can inform solutions to structural operating and capital funding needs at Metro*

**Examine a variety of sources that are stable and sustainable in the long-term**

#### Final Working Group Technical Report

- Produce a technical report for the Commission that contains:
  - 1) A menu of revenue options including funding estimates
  - 2) Recommendations on the following:
    - A. Revenue structure
    - B. Any associated policy recommendations
    - C. Reform and Accountability recommendations

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	WMATA	BART	CTA	LA Metro	MBTA	NY MTA	NJ Transit	SEPTA
<b>Public Information on Website</b>								
Performance Metrics	●	●	●	●	●	●	●	●
Performance Dashboard	●	●	●	●	●	●	●	●
Operating Budget	●	●	●	●	●	●	●	●
Capital Budget	●	●	●	●	●	●	●	●
Investor Relations	●	●	●	●	●	●	●	●
<b>Audit Information on Website</b>								
Annual Comprehensive Financial Report	●	●	●	●	●	●	●	●
Independent Single Audit	●	●	●	●	●	●	●	●
Audit Reports and Findings	●	●	●	●	●	●	●	●
<b>Oversight</b>								
Board Audit Committee	●	●	●	●	●	●	●	●

Legend: ● = Agency Meets Measure   ● = Partially Meets Measure   ● = Does Not Appear to Meet Measure

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**Findings** will be included in the Metro Funding and Reform Working Group Technical Report

**Recommendations** will be included in the 2023 Annual Report on the Performance and Condition of WMATA, which the Commission will authorize the NVTC Executive Director to send to the Governor and General Assembly.

Findings and recommendations are organized into the following categories:

- Structural Cost Growth
- Operational and Financial Accountability
- Oversight
- Structural Funding Deficit
- Capital and Other

*(Parentheses) indicate who has the authority to take action on the recommendation*

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## Structural Cost Growth - Preliminary Findings

- Metro's pensions are better funded than the Virginia Retirement System (VRS), but there are still opportunities for improvements and to align benefits with national averages ([WMATA 84.36%](#), [WMATA FY 2022 ACFR](#); [VRS 81.06%](#))
- The share of Metro's OPEB ([Other Post Employment Benefits](#)) liability that is funded has improved since 2018, but a large unfunded liability remains and poses a long-term risk to the operating budget
- Metro has found cost savings and efficiencies through aggressive management actions, but it should demonstrate these efforts to the funding jurisdictions in greater detail
- The legislative 3% operating cap is a useful tool in controlling costs and protecting our funding jurisdictions, but it is based on a pre-pandemic financial model and has resulted in unintended consequences
  - Unintended consequences of the cap are that it has altered Metro's subsidy allocation process in a way that distorts the amount of subsidy owed from the amount of service received and it reduces accountability to the jurisdictions
  - As a result, our jurisdictions cannot provide additional subsidy to Metro - either from state aid or local revenues - without some modification to the 3% cap via legislation

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## Structural Cost Growth - Preliminary Recommendations

- Communicate the results an **efficiency and accountability program** to assess opportunities to drive cost efficiencies, reduce administrative costs, quantify the results, implement change, and **provide annual reports** to the WMATA Board (WMATA)
- Continue to increase non-fare revenues by expanding revenue streams from advertising, joint development, and parking and explore leveraging the value of Metro's physical and data infrastructure (WMATA)
- Manage labor cost escalation through **reforms to pension and OPEB that are in alignment with national averages**
  - Seek amendments to the Wolf Act that require arbitrators in Metro contract mediations to consider Metro's fiscal condition and jurisdiction's ability to pay (Congress)
  - Increase worker contributions to pensions and OPEB to reflect national averages (*collective bargaining process*)
  - Limit or prohibit overtime earnings towards retirement pay (*collective bargaining process*)
  - Implement OIG findings to improve controls and governance and explore alternative retirement plans for new employees in the next collective bargaining agreement (*collective bargaining process*)
- Establish a **revised Virginia and Maryland legislative operating assistance growth cap** to reflect a new operating funding structure and to restore accountability to Metro's operating subsidy allocation process, which helps address the unintended consequences of the cap while maintaining it as a tool to contain subsidy escalation. (*Commonwealth of Virginia, State of Maryland and WMATA Board*)

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## **Operational and Financial Accountability - Preliminary Findings**

- Metrorail and Metrobus fares have not kept up with inflation
- Since 2018, the quality and quantity of performance, capital program, ridership and open data resources from Metro has improved dramatically. When compared to peer agencies, Metro provides a great deal of publicly available information on its website. There are a few targeted areas for improvement.
- Virginia's Metrobus subsidy has increased while service has decreased. The design of the Metrobus service network and the way the subsidy for that network is allocated is broken and is in major need of an overhaul
- The current subsidy allocation method, approved to comply with the legislative 3% caps, does not provide Virginia's local governments with predictability in the increase in their operating subsidy during the annual budget process
- Fare evasion has increased dramatically since 2019, and Virginia has the lowest rates of fare evasion when compared to DC and Maryland. Metro is taking steps to mitigate fare evasion, but Metro must comply with the fare evasion laws of each jurisdiction

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## Operational and Financial Accountability - Preliminary Recommendations

- Improve farebox recovery by **raising the base fare for Metrorail and Metrobus** (WMATA Board)
- Redesign the Metrobus network, through the [Better Bus Network Redesign](#), to **find efficiencies and cost savings** (WMATA Board)
- Continue to enhance the physical safety and security of customers (WMATA)
- Working through the [Better Bus Network Redesign](#), update the way Metro allocates Metrobus **subsidies to better reflect the level of service** provided in each jurisdiction (WMATA Board)
- Ensure **uniform reporting** on the uses of **any new dedicated funding** (VA, DC, MD)
- Enforce fare payment uniformly across the system and mitigate and [report on the occurrence and fiscal impacts of fare evasion](#) (WMATA)

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## Oversight - Preliminary Findings

- There are a diverse array of agencies and governing bodies that play a role in safety, operational, financial, and capital program oversight of Metro. Any additional oversight responsibilities or tasks should be assigned to these existing agencies or bodies, starting with the WMATA Board of Directors who are the governing body for Metro
- The WMATA Board regularly reviews audit reports from the OIG, but its role is not technically spelled out in the WMATA Board Bylaws. While there are regularly recurring audits of federal funds, audits of jurisdictional funds and the jurisdictional subsidy process have been sporadic and uncoordinated

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## Oversight - Preliminary Recommendations

- Formalize an audit committee in the WMATA Board Bylaws, **coordinate jurisdictional audits**, and audit the jurisdictional operating subsidy calculation process and fare buy down agreements to ensure that Metro is following proper protocols and procedures with jurisdictional funding (*WMATA Board*)
- Explore options among the signatories and appointing authorities to provide uniform compensation of Principal Directors of the WMATA Board (*Commonwealth of Virginia, NVTC, District of Columbia, State of Maryland, WSTC and USDOT*)

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## Structural Funding Deficit - Preliminary Findings

- Jurisdictional subsidies have not kept up with inflation
- Cost savings, fare increases, and service reductions are important tools for Metro to consider, but the size of the operating gap is such that it cannot be closed without new revenues
- The scale of Virginia's share of the up to \$750 million operating gap\* cannot be met by our local governments alone
- Virginia's governance and funding relationship with Metro requires a unique approach to dedicated operating funding
  - Most of the operating funding gap is from Metrorail, where over 80% of the federal pandemic aid was applied
  - Local transit agencies provide more bus service in the NVTC district than Metrobus
  - No revenue source will precisely match each NVTC jurisdiction's share of the allocated operating subsidy
- Unlike most transportation agencies, Metro does not have an operating contingency reserve fund to better position the authority to handle unpredictable financial shocks
- Metro plays a critical role in moving the federal workforce, but fare revenue from federal employees utilizing transit benefits has significantly dropped causing a major hole in Metro's finances

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## Structural Funding Deficit - Preliminary Recommendations

- **Secure one or more sustainable and reliable sources of dedicated revenues\*** to support transit operators in the Northern Virginia Transportation District, including Metro (*Commonwealth of Virginia*)
  - From that revenue, implement a waterfall of funding priorities and establish a dedicated Metro operating fund at NVTC to convey Virginia's portion of dedicated operating funding to Metro and leverage matching funding from the District of Columbia and State of Maryland (*Commonwealth of Virginia and NVTC*)
  - Utilize new regional dedicated operating funding to create predictable jurisdictional operating subsidy increases (*WMATA Board and funding jurisdictions*)
  - **Establish a rainy-day fund at Metro** and adopt a rainy-day fund management policy (*WMATA Board and funding jurisdictions*)
- Restore the federal employee presence in the Metro system by returning federal government workers to the office and **securing a replacement for the region's losses in fares from riders using federal transit benefits** (*Federal Government*)

\*Dedicated Funding should be restricted for use by WMATA, flow on an uninterrupted basis, occur outside of the quarterly subsidy payment process, and is not subject to traditional annual appropriations. Additional considerations include adjustments for inflation and modal availability.

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### **Capital and Other - Preliminary Findings**

- If Metro is going to continue reducing the state of good repair backlog, additional capital funding will need to be secured in the next few years
- The scale and complexity of Metro's capital and/or operating structural funding needs and the complexity of the region's governance and funding approach to Metro suggest that it may require multiple years to develop and implement permanent solutions

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## Capital and Other - Preliminary Recommendations

- Secure one or more sustainable, reliable, and bondable sources of dedicated revenues to support additional dedicated capital funding (*Commonwealth of Virginia*)
- Depending on what Metro, the region and the General Assembly accomplish in 2024, **NVTC should be prepared to continue the Working Group process** in the next few years. Some of the topics may include (but not limited to): continuing to develop permanent operating and/or capital funding solutions, recommending operating reporting requirements, advancing audit concepts, refining revenue structure recommendations and developing long-term recommendations for the legislative 3% operating cap (*NVTC*)

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## Proposed structure for NVTC's 2023 Annual Report on WMATA

Chapter	Title	Data Source or Content
	Introduction	Context and background on FY 2025 operating gap; highlighting new services
1	<b>Metro Funding, Accountability, and Reform Recommendations</b>	Policy Recommendations by the Commission
2	Use of Dedicated Capital Funds	WMATA
3	Safety & Reliability	
4	Metrorail Financial Performance	National Transit Database (NTD) and Metro Performance Reports
5	Metrobus Financial Performance	
6	Metrorail & Metrobus Ridership	

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### **Questions and Discussion**

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**Ongoing:** Engagement with DC, Maryland, Metro, and MWCOG

**September 21:** NVTC WMATA Committee

**October 19:** Joint NVTC WMATA and Legislative & Policy Committee

**November 2:** Commission briefing on the 2023 Annual Report on the Performance and Condition of WMATA

**December 7:** Commission approval of the 2023 Annual Report on the Performance and Condition of WMATA

**December 15:** Submit 2023 Annual Report on the Performance and Condition of WMATA to Governor and General Assembly

# **Agenda Item #4**

**Metrobus Service and  
Subsidy Trends**

# Who provides bus service in the WMATA compact area?

Local bus service and Metrobus

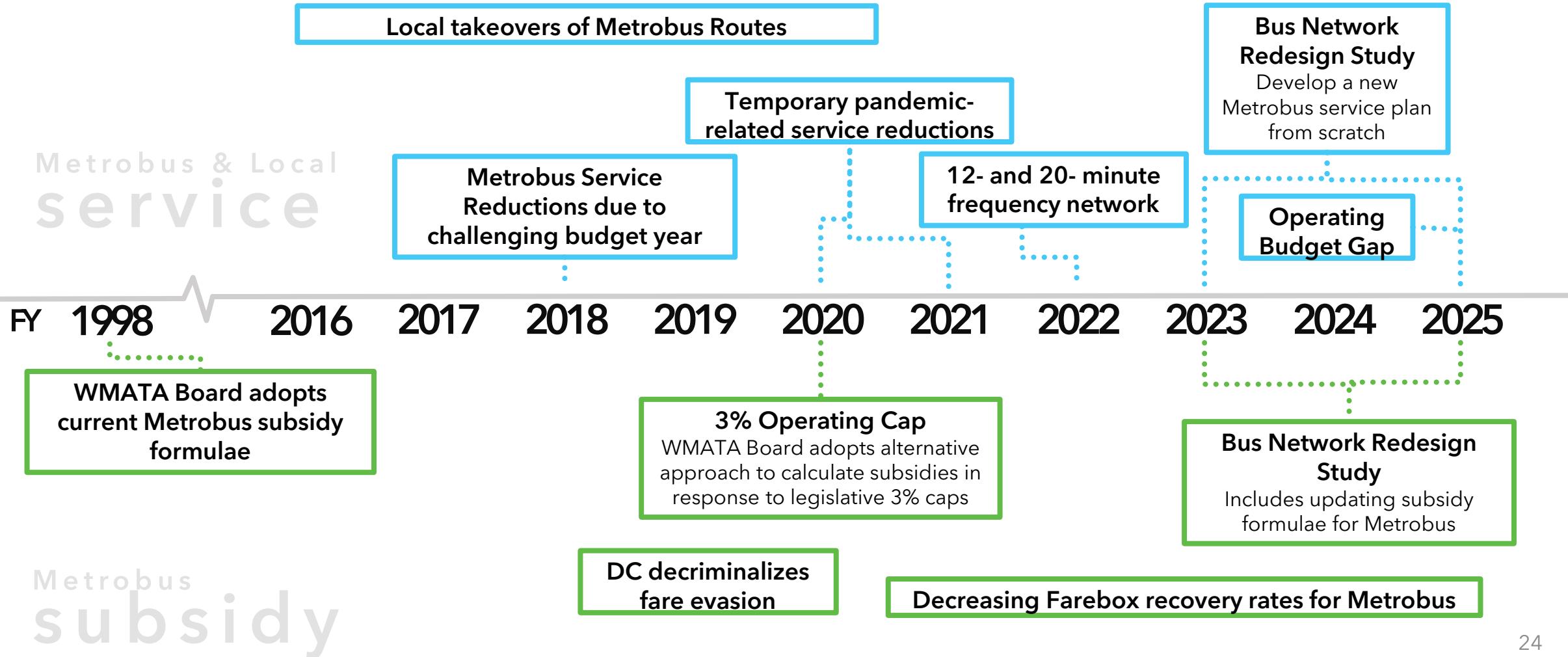
**metrobus**



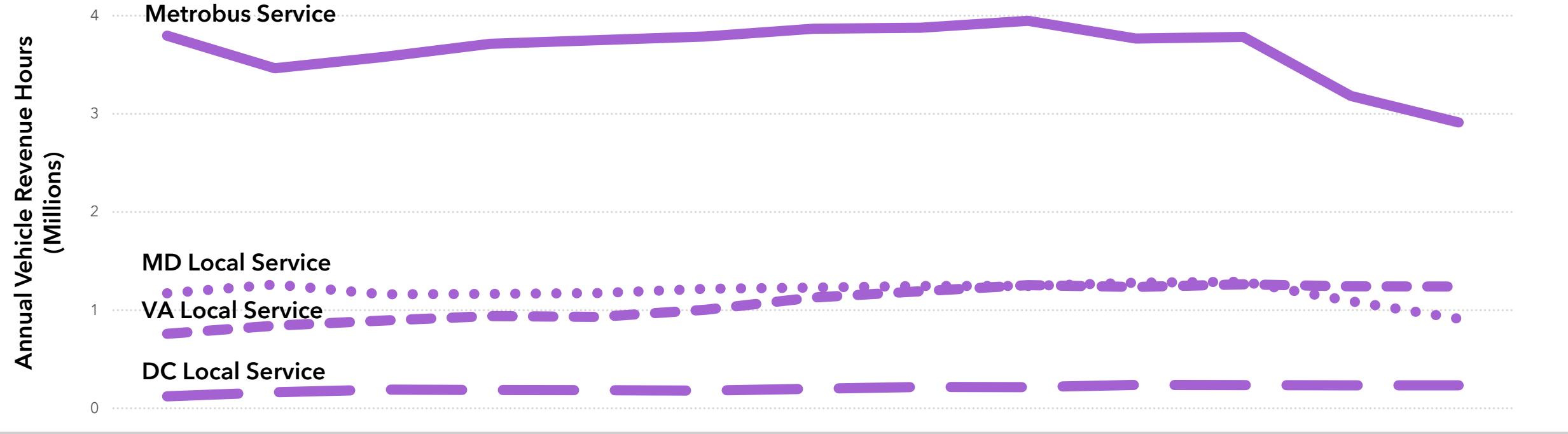
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# Metrobus Service & Subsidy Change Over Time



# Northern Virginia Bus Service: FY 2009 - FY 2021



## Highlights

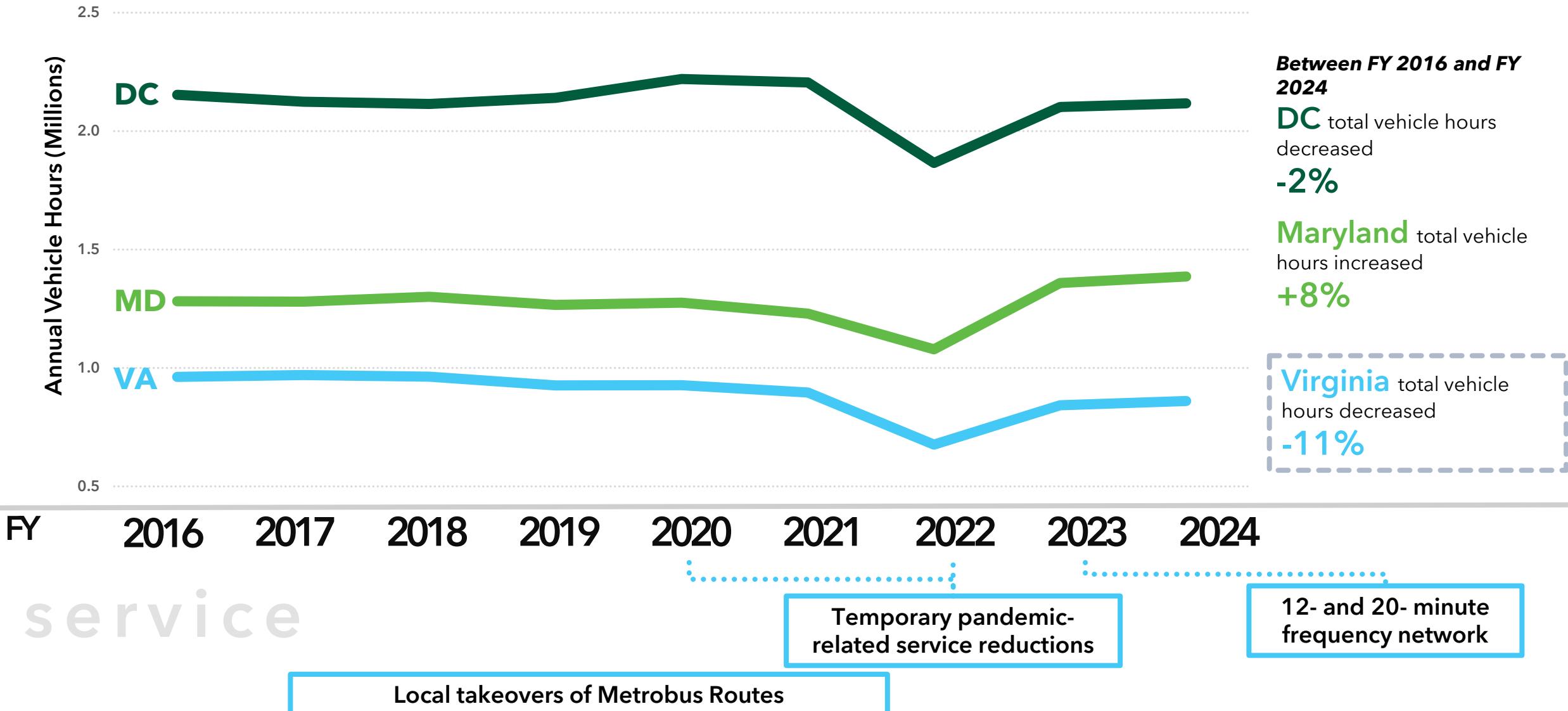
- Historically, the amount of Metrobus service provided across the region has been largely stable, but it declined significantly in FY 2021 with the pandemic.
- Virginia is unique in the region where additions to bus service are mostly accomplished with local transit service. These local service additions include some takeover of Metrobus routes.

**Metrobus Service Reductions due to challenging budget year**

**Temporary pandemic-related service reductions**

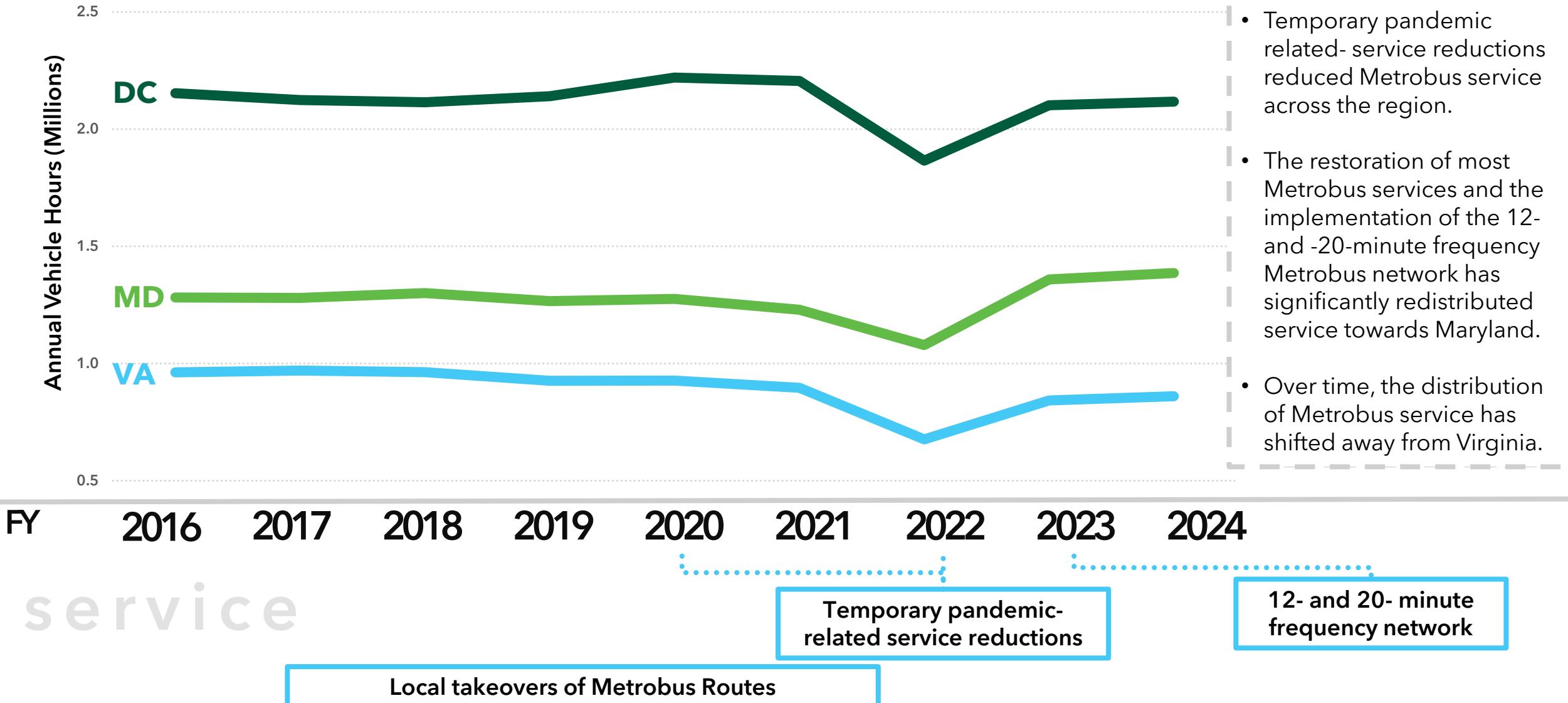
**Local takeovers of Metrobus Routes**

# Metrobus Service Over Time



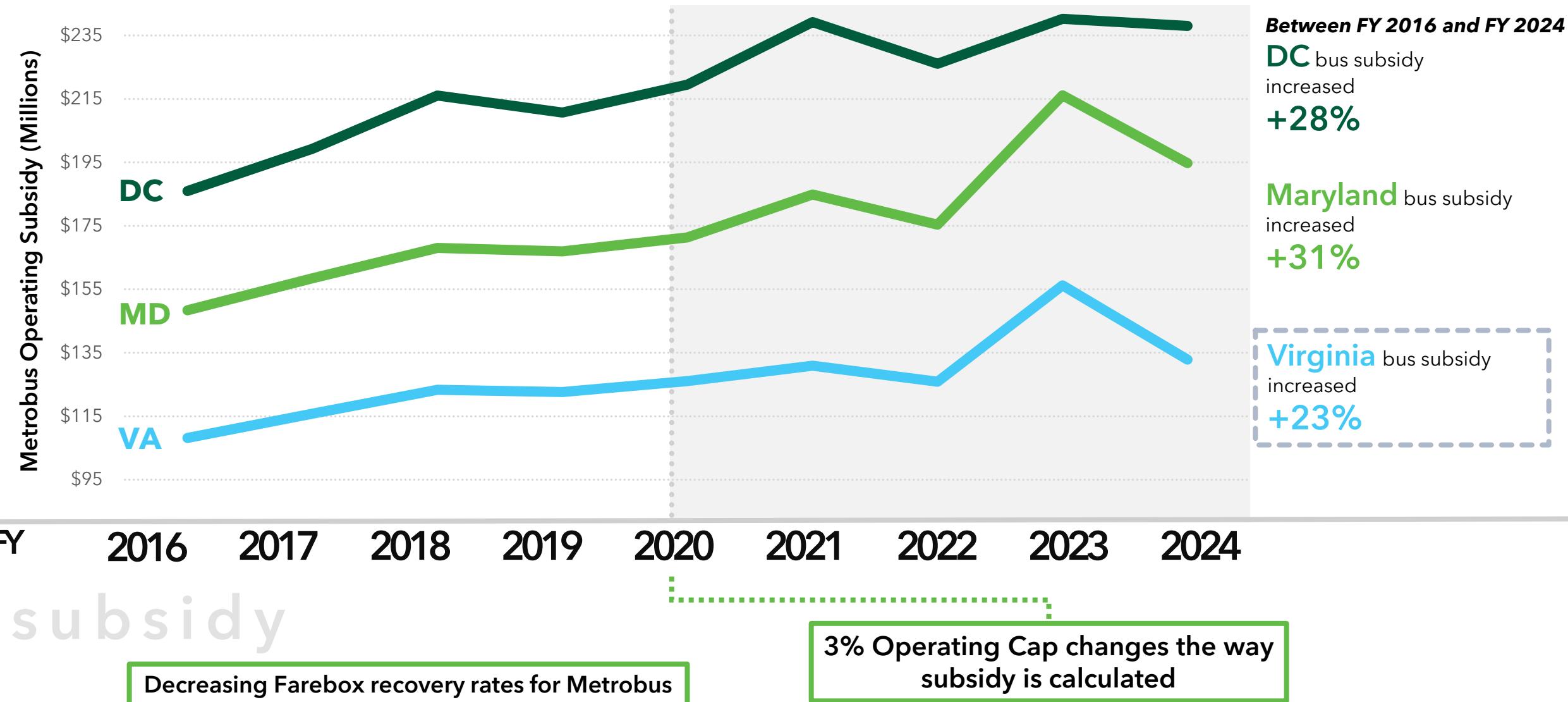
Source and Notes: Represents scheduled total vehicle hours (platform hours) as shown in approved WMATA Budget Books (FY 2016 - FY 2024). FY 2024 represents June 2023 schedule; FY 2023 represents May 2022 schedule; FY 2022 represents March 2021 schedule; FY 2021 includes deferred service adjustments.

# Metrobus Service Over Time

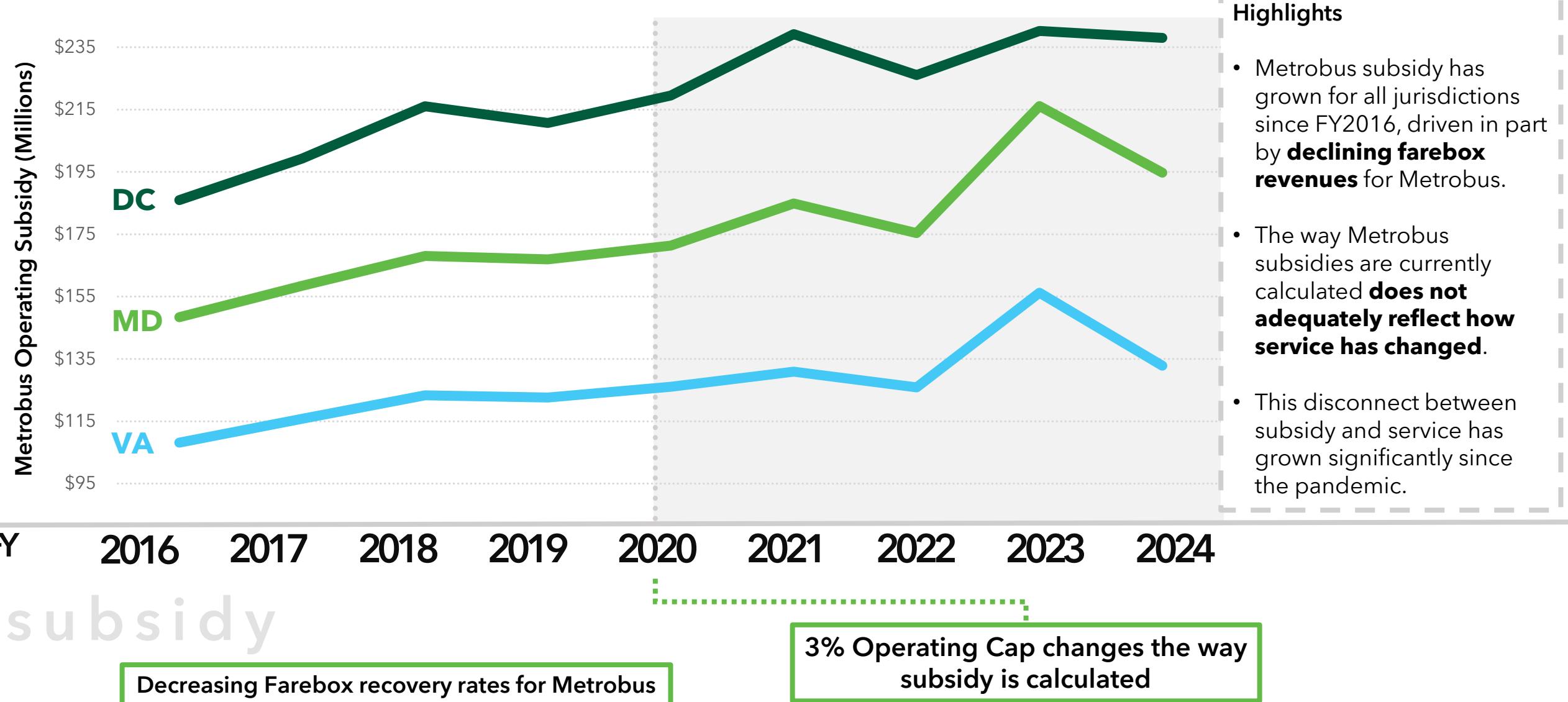


Source and Notes: Represents scheduled total vehicle hours (platform hours) as shown in approved WMATA Budget Books (FY 2016 - FY 2024). FY 2024 represents June 2023 schedule; FY 2023 represents May 2022 schedule; FY 2022 represents March 2021 schedule; FY 2021 includes deferred service adjustments.

# Metrobus Operating Subsidy Over Time



# Metrobus Operating Subsidy Over Time



# Summary

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

## Next Steps

- Continue to engage in **Bus Network Redesign** study process that will redesign the Metrobus network and develop a new Metrobus formula.
- Integrate findings and preliminary **recommendations in NVTC's Annual Report on the Performance and Condition of WMATA**

## **4. Metrobus Service and Subsidy Trends**

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### **Questions and Discussion**

# **Thank You.**

**Next Meeting**  
**October 19 6pm**  
**Joint NVTC WMATA –**  
**Legislative & Policy Committee**