

J00A0104
Washington Metropolitan Area Transit Authority
Maryland Department of Transportation

Operating Budget Data

(\$ in Thousands)

	<u>FY 16</u> <u>Actual</u>	<u>FY 17</u> <u>Working</u>	<u>FY 18</u> <u>Allowance</u>	<u>FY 17-18</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$318,917	\$323,422	\$365,285	\$41,863	12.9%
Adjusted Special Fund	\$318,917	\$323,422	\$365,285	\$41,863	12.9%
 Adjusted Grand Total	 \$318,917	 \$323,422	 \$365,285	 \$41,863	 12.9%

Note: Includes targeted reversions, deficiencies, and contingent reductions.

- The fiscal 2018 allowance increases by \$41.9 million (12.9%) from the current year working appropriation. This appropriation represents Maryland's share of the operating subsidy to the Washington Metropolitan Area Transit Authority (WMATA).

PAYGO Capital Budget Data

(\$ in Thousands)

	Fiscal 2016	Fiscal 2017		Fiscal 2018
	<u>Actual</u>	<u>Legislative</u>	<u>Working</u>	<u>Allowance</u>
Special	\$129,660	\$127,567	\$125,400	\$155,922
Total	\$129,660	\$127,567	\$125,400	\$155,922

- The fiscal 2017 working appropriation is \$2,167,000 lower than the legislative appropriation and reflects the Maryland share of the estimated level of capital spending to occur in fiscal 2016.
- The fiscal 2018 allowance of \$155.9 million is an increase of \$30.5 million over the current year working appropriation and represents the estimated cash flow needs for Maryland's share of the WMATA fiscal 2018 capital program.

Note: Numbers may not sum to total due to rounding.

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Analysis in Brief

Major Trends

Ridership: Ridership in fiscal 2016 decreased by more than 20.0 million trips from the prior year, a decrease of 6.0%. The ridership decline for Metrorail was 15.0 million trips, and Metrobus declined by 5.5 million trips.

System Performance Measures: For Metrorail, relative to fiscal 2015, revenue miles and operating cost per passenger trip both increased, while the number of passengers per revenue mile and operating cost per revenue mile both decreased. For Metrobus, revenue miles and operating costs increased, while passengers per revenue mile declined.

Farebox Recoveries: The fiscal 2012 to 2016 systemwide five-year average farebox recovery rate was 47%. Relative to fiscal 2015, the farebox recovery rate fell for all three services.

Issues

WMATA's Proposed Budget Includes Fare Increases and Service Reductions: To address the decline in operating revenues related to the decline in ridership, WMATA is proposing both a fare increase and a reduction of service in its fiscal 2018 proposed budget. **The WMATA General Manager should comment on the challenges created by combining fare increases with service reductions and indicate how WMATA plans to address those challenges to ensure ridership does not continue to decline as a result of these actions.**

Federal Transit Agency to Withhold Transit Funding until Metrorail Safety Oversight Program Is Certified: On February 10, 2017, the Federal Transit Administration (FTA) notified Maryland, Virginia, and the District of Columbia that it would immediately begin withholding 5% of Urbanized Area transit formula funds and would continue to withhold funds until the three jurisdictions establish a federally compliant State Safety Oversight Program. The Maryland Department of Transportation (MDOT) indicates that for Maryland, based on the current federal budget resolution which provides funding through April 28, 2017, the amount to be withheld is approximately \$2.8 million. However, the full federal fiscal 2017 amount is estimated at \$4.8 million. **MDOT should brief the committees on the estimated timeline for accomplishing the steps outlined by FTA to get the Metrorail Safety Commission certified and how the reduction in federal transit funding will impact the activities supported by that funding.**

WMATA Launches SafeTrack Initiative to Improve Rail Safety and Reliability: During a year-long effort called SafeTrack, reduced service hours and 16 “surges” involving continuous single tracking and/or line segment closures, will allow WMATA to complete three years’ worth of rehabilitation work. **The WMATA General Manager should brief the committees on the status of the SafeTrack effort and whether a return to pre-SafeTrack hours of rail service operation is feasible given the track access demand that will be required to carry out the planned preventive maintenance program once SafeTrack ends.**

Operating Budget Recommended Actions

1. Concur with Governor’s allowance.

PAYGO Budget Recommended Actions

1. Add language restricting funds for the capital grant to the Washington Metropolitan Area Transit Authority to that purpose only.

J00A0104 – MDOT – Washington Metropolitan Area Transit Authority

J00A0104
Washington Metropolitan Area Transit Authority
Maryland Department of Transportation

Budget Analysis

Program Description

The Washington Metropolitan Area Transit Authority (WMATA) operates the second largest rail transit system and the sixth largest bus network in the United States. WMATA was created in 1967 by an interstate compact in which Maryland, Virginia, and Washington, DC participate. Subsequently, two federal representatives were added to the Board of Directors. Each signatory jurisdiction provides two directors to WMATA's eight-member board. Construction of WMATA's originally planned 103-mile Metrorail system began in 1969 and was completed in 2001. In 2004, the system was expanded to 86 stations and 106 miles with the opening of the Blue Line extension to Largo Town Center and the New York Avenue\Florida Avenue\Gallaudet University station on the Red Line. In 2009, construction started on a 23.1-mile rail extension to Dulles, Virginia dubbed the Silver Line. The first 11.6 miles with 5 stations opened in July 2014. Construction of the second phase, consisting of 11.5 miles and 6 stations, is scheduled for completion in calendar 2019. The system now serves 26 stations in Maryland.

Maryland provides an annual operating grant to the Washington Suburban Transit Commission (WSTC) through the Maryland Department of Transportation's (MDOT) Secretary's Office budget. WSTC authorizes MDOT to provide funding to WMATA for the operation of the Metrorail, Metrobus, and MetroAccess programs. These operating grants are based on numerous factors, including miles of service, number of stations, number of passengers, and population density in each jurisdiction and are offset by the fare revenues generated by each service.

WMATA's mission is to ensure the best in safe, reliable, cost-effective, and responsive transit services by promoting regional mobility and contributing toward the social, economic, and environmental well-being of the community.

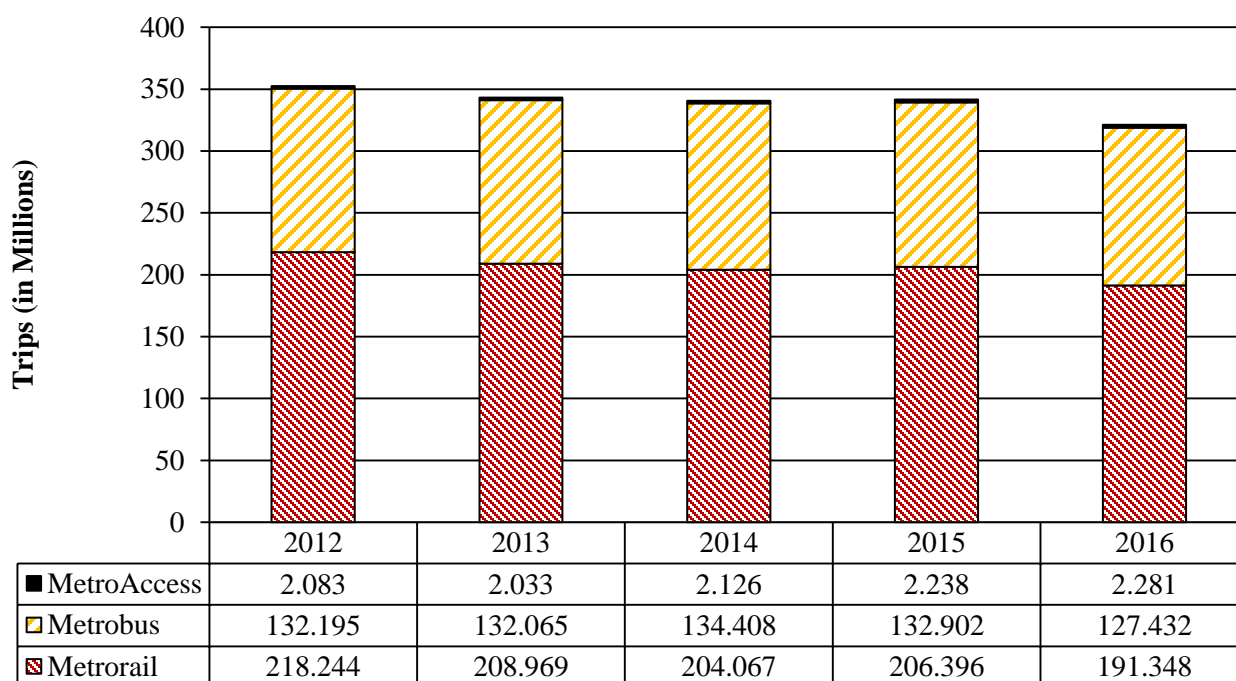
Performance Analysis: Managing for Results

1. Ridership

Exhibit 1 shows ridership for the WMATA system from fiscal 2012 to 2016. Ridership in fiscal 2016 decreased by more than 20.0 million trips from the prior year, a decrease of 6.0%. The ridership decline for Metrorail was 15.0 million trips and Metrobus declined by 5.5 million trips. WMATA projects continued ridership decline. For fiscal 2018, WMATA estimates there will be 26.3 million fewer trips than were taken in fiscal 2016 comprising a reduction of 14.2 million Metrorail trips and a reduction of 12.2 million Metrobus trips. Service quality and reliability issues, combined with the disruptions caused by WMATA's SafeTrack maintenance initiative, are cited as leading

factors in the ridership decline. Slow job growth in the Washington metropolitan area, low gas prices, the increasing use of telecommuting, the expansion of alternative transportation options (*e.g.* Uber, Lyft, *etc.*), and federal employment changes are also identified as contributing factors in the ridership decline. Additional factors in declines projected for fiscal 2018 are the fare increase and service reductions proposed to take effect in fiscal 2018 (see Issue 1).

Exhibit 1
WMATA Annual Ridership
Fiscal 2012-2016



WMATA: Washington Metropolitan Area Transit Authority

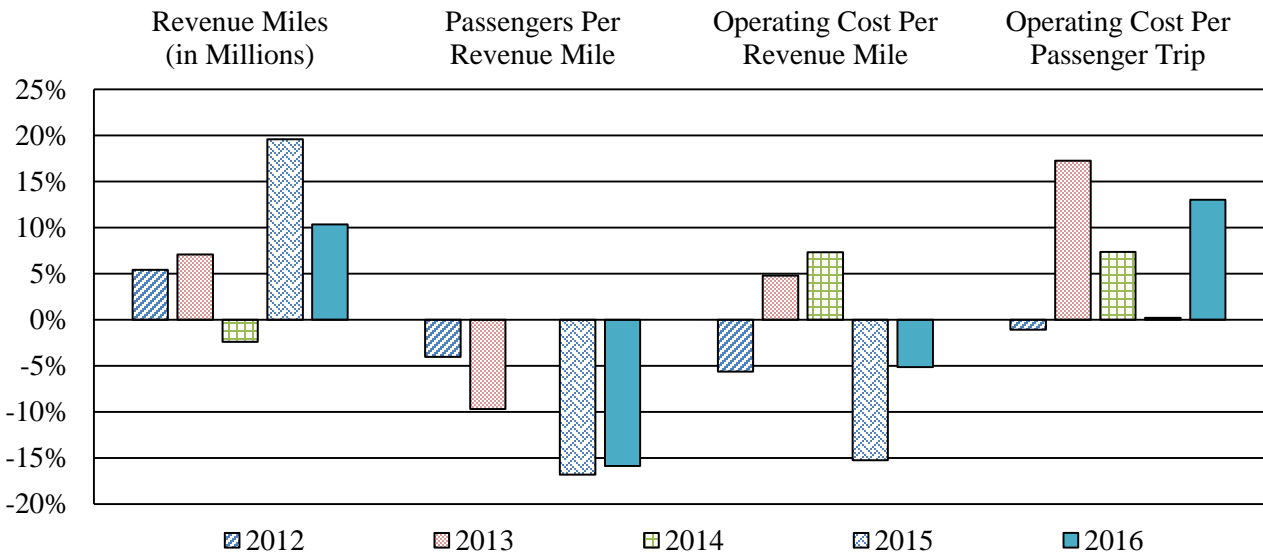
Source: Department of Budget and Management

2. System Performance Measures

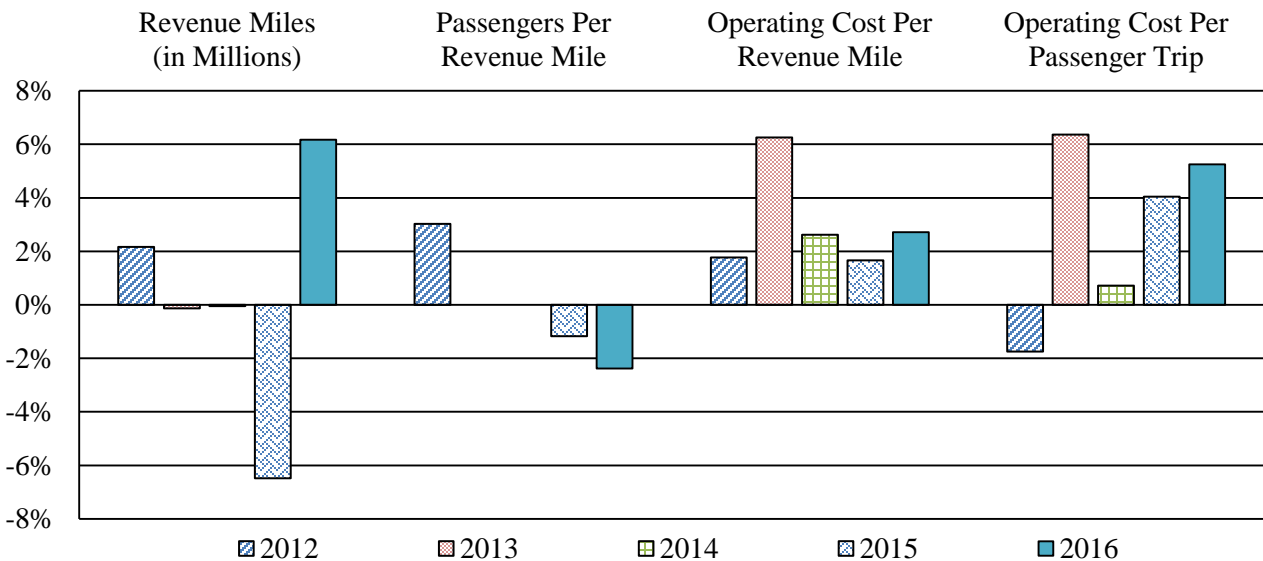
One method of measuring the performance of transit systems is to look at the relationship between the service provided and used, as measured by revenue miles and passenger trips, relative to expenditures. **Exhibit 2** shows the percent change from the prior year for revenue miles, passengers per revenue mile, operating cost per revenue mile, and operating cost per passenger trip for both Metrorail and Metrobus service for fiscal 2012 through 2016.

Exhibit 2
Metrorail and Metrobus Performance Measures
Percent Change from the Prior Year
Fiscal 2012-2016

Metrorail



Metrobus



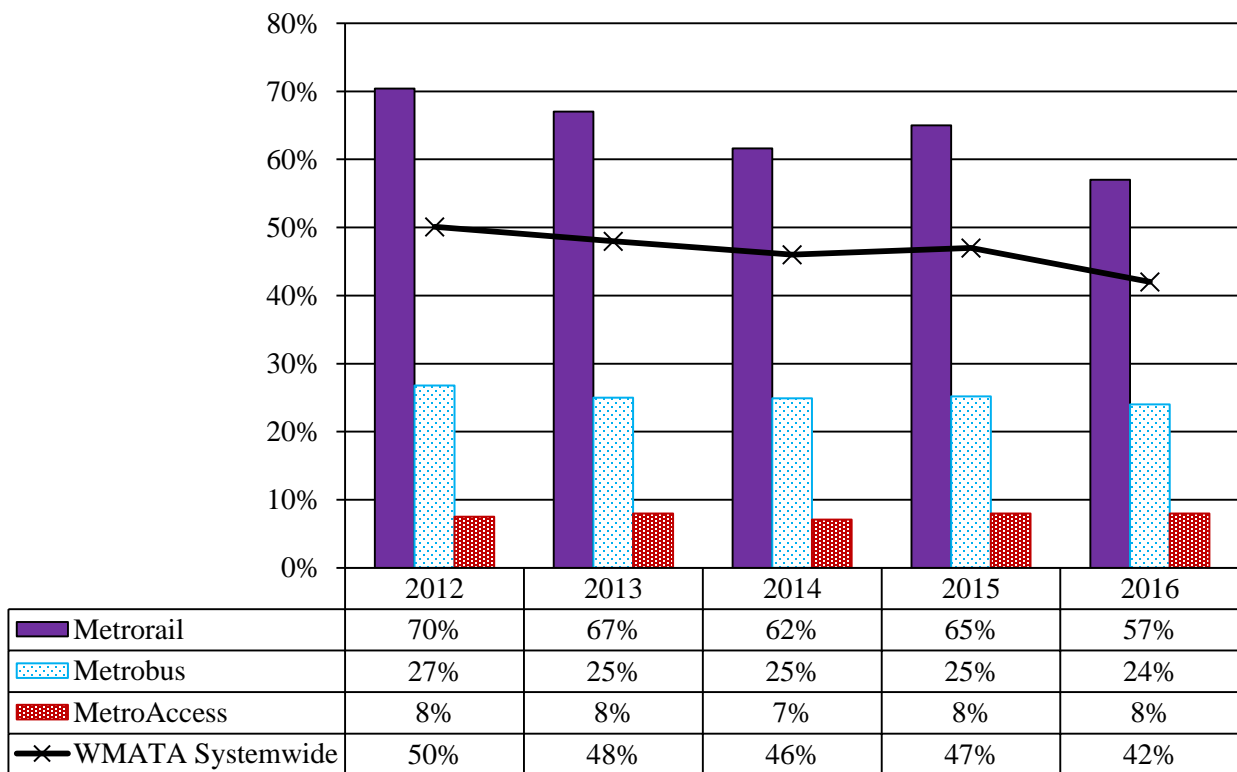
Source: Department of Budget and Management

For Metrorail, relative to fiscal 2015, revenue miles and operating cost per passenger trip both increased while the number of passengers per revenue mile and operating cost per revenue mile both decreased. For Metrobus, revenue miles and operating costs increased while passengers per revenue mile declined.

3. Farebox Recoveries

Exhibit 3 provides information on WMATA's farebox recovery ratio from fiscal 2012 to 2016. The fiscal 2012 to 2016 systemwide five-year average farebox recovery rate was 47%. Relative to fiscal 2015, the farebox recovery rate fell for all three services.

Exhibit 3
WMATA Farebox Recovery Rates
Fiscal 2012-2016



WMATA: Washington Metropolitan Area Transit Authority

Source: Department of Budget and Management

Proposed Budget**Expenditures**

As shown in **Exhibit 4**, WMATA's proposed fiscal 2018 operating budget totals \$1,816.8 million, an increase of \$37.3 million, or 2.1% over the approved fiscal 2017 budget. Increases in services and materials and supplies are partially offset by decreases in personnel expenses, fuel costs, utilities and propulsion, and insurance. The increases in service expenses and materials and supplies are due primarily to safety and reliability improvements, contract cost inflation, paratransit costs, safety and financial audit compliance requirements, and new facility maintenance costs. The decrease in personnel costs is primarily attributable to the elimination of 1,000 positions – 500 being eliminated in fiscal 2017 and 500 in fiscal 2018. The fiscal 2017 eliminations represent the elimination of redundant or nonessential positions to Metro's core business of providing rail, bus and paratransit services. The fiscal 2018 abolitions comprise 200 positions in management, administrative and back-office operations and 300 positions in operations related to rail and bus service reductions proposed in the budget.

Exhibit 4
WMATA Expenses by Category
Fiscal 2017-2018
(\$ in Millions)

	<u>Budget</u> <u>2017</u>	<u>Proposed</u> <u>2018</u>	<u>Change</u>	<u>Percent</u> <u>Change</u>
Personnel	\$1,315.1	\$1,288.6	-\$26.5	-2.0%
Services	241.8	290.1	48.4	20.0%
Materials and Supplies	87.0	122.5	35.5	40.8%
Fuel (Gas/Diesel/CNG)	39.2	31.8	-7.5	-19.0%
Utilities and Propulsion	90.9	82.3	-8.6	-9.5%
Casualty and Liability	34.9	28.6	-6.3	-18.2%
Leases and Rentals	6.7	8.3	1.6	23.9%
Miscellaneous	6.8	5.0	-1.8	-26.1%
Capital Allocation	-43.0	-40.5	2.5	-5.8%
Total	\$1,779.5	\$1,816.8	\$37.3	2.1%

CNG: compressed natural gas

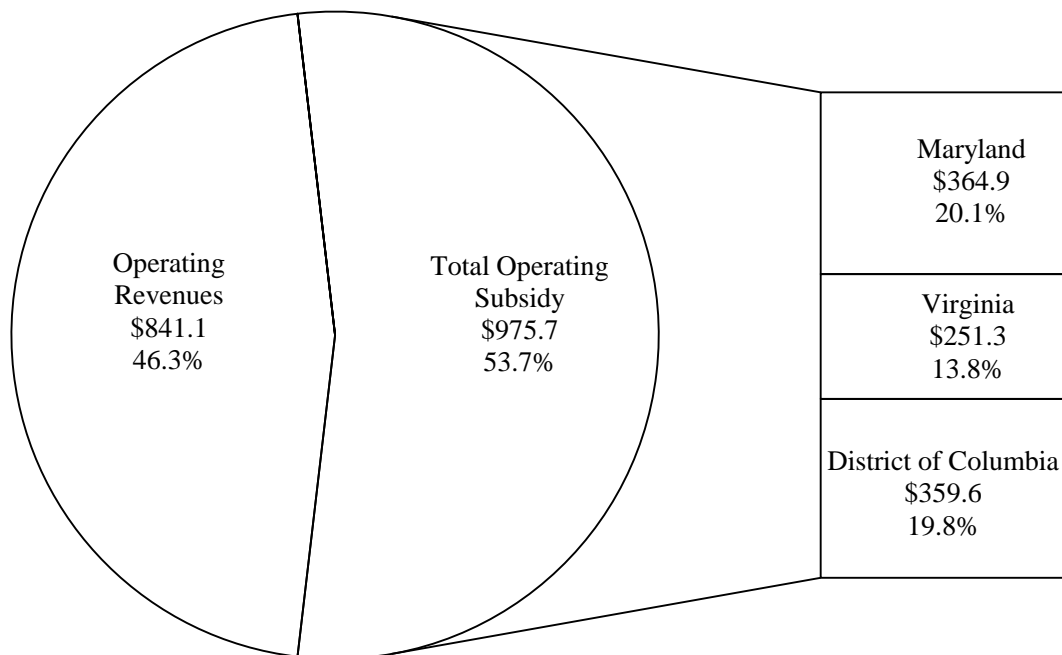
WMATA: Washington Metropolitan Area Transit Authority

Source: Washington Metropolitan Area Transit Authority, Fiscal 2018 Proposed Budget

Revenues

WMATA's operations are funded through operating revenues and subsidies provided by Maryland, Virginia, and the District of Columbia. **Exhibit 5** shows that 46.3% of the operating budget will be supported by WMATA's operating revenues. This marks the first time since at least 2006 that operating revenues are projected to cover less than 50.0% of WMATA's cost of operations.

Exhibit 5
WMATA Proposed Fiscal 2018 Revenues
(\$ in Millions)



WMATA: Washington Metropolitan Area Transit Authority

Note: Excludes debt service.

Source: Washington Metropolitan Area Transit Authority, Fiscal 2018 Proposed Budget

The local subsidy fills the gap between operating revenues and expenditures. In fiscal 2018, the local subsidy supports 53.7% of operating spending.

Exhibit 6 shows the resources that support WMATA’s operations for fiscal 2015 to 2018 and breaks out the Maryland share of the local subsidy. The \$93.1 million decline in WMATA’s operating revenues, due primarily to the decline in ridership discussed earlier, necessitates a substantial increase in the local subsidy. The local subsidy in fiscal 2018 increases by \$130 million (15.4%) over the amount provided in fiscal 2017.

Exhibit 6
WMATA Operating Budget Resources
Maryland Operating Subsidy
Fiscal 2015-2018
(\$ in Millions)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>\$</u> <u>Change</u> <u>2017-2018</u>	<u>%</u> <u>Change</u> <u>2017-2018</u>
Operating Revenue	\$907.2	\$899.9	\$934.2	\$841.1	-\$93.1	-10.0%
Local Subsidy	723.4	813.9	845.3	975.7	130.4	15.4%
Preventive Maintenance/Other	30.7	30.7	0.0	0.0	0.0	n/a
Total	\$1,661.2	\$1,744.5	\$1,779.5	\$1,816.8	\$37.3	2.1%
Maryland Share of Operating Subsidy						
Maryland Budget	\$284.8	\$318.9	\$323.4	\$365.3	\$41.9	12.9%
WMATA Projection				364.9	41.4	12.8%
Maryland Budget Surplus				0.4		

WMATA: Washington Metropolitan Area Transit Authority

Note: Excludes debt service.

Source: Washington Metropolitan Area Transit Authority, Fiscal 2018 Proposed Budget

In fiscal 2018, Maryland’s share of the subsidy increases by \$41.9 million (12.9%). The amount included in the Maryland budget for WMATA operations is \$400,000 more than the estimated requirement based on WMATA’s proposed budget. If the amount appropriated is greater than needed, the difference will cancel at the year-end closeout. Conversely, if a greater contribution is required based on the budget as approved by the WMATA board, MDOT will include the additional funds in a budget amendment. **Appendix 4** provides an estimated allocation of the State operating and capital subsidies by local jurisdiction.

PAYGO Capital Program

Program Description

MDOT's Office of the Secretary provides a grant to support WMATA's capital program, including the design, construction, and rehabilitation of the Metrorail and Metrobus systems. General parameters on capital funding levels are typically established in a six-year Capital Funding Agreement, developed through negotiations between WMATA and its local funding partners. The previous six-year agreement expired on June 30, 2016, and was replaced with a one-year extension.

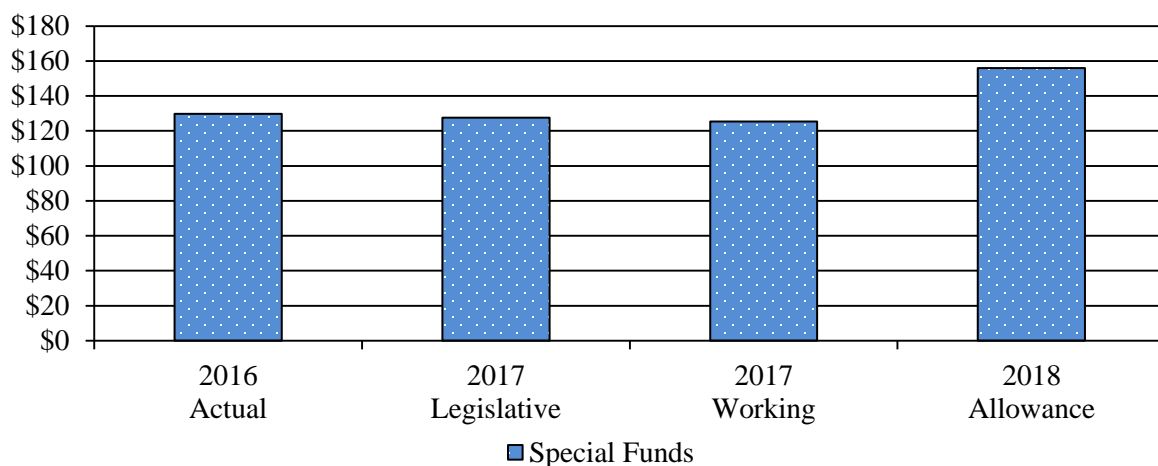
Fiscal 2017 to 2022 Consolidated Transportation Program

Total six-year funding programmed for the WMATA capital grant in the Maryland *Consolidated Transportation Program* is \$984.4 million. The majority of this funding is focused on safety, infrastructure rehabilitation and replacement, and maintaining the system in a state of good repair.

Fiscal 2017 and 2018 Cash Flow Analysis

As shown in **Exhibit 7**, the fiscal 2017 working appropriation decreased by \$2.2 million from the legislative appropriation reflecting the fiscal 2017 capital budget as approved. The fiscal 2018 allowance increases by \$30.5 million over the current year working appropriation reflecting projected cash flow needs in the coming year.

Exhibit 7
Cash Flow Changes
Fiscal 2016-2018

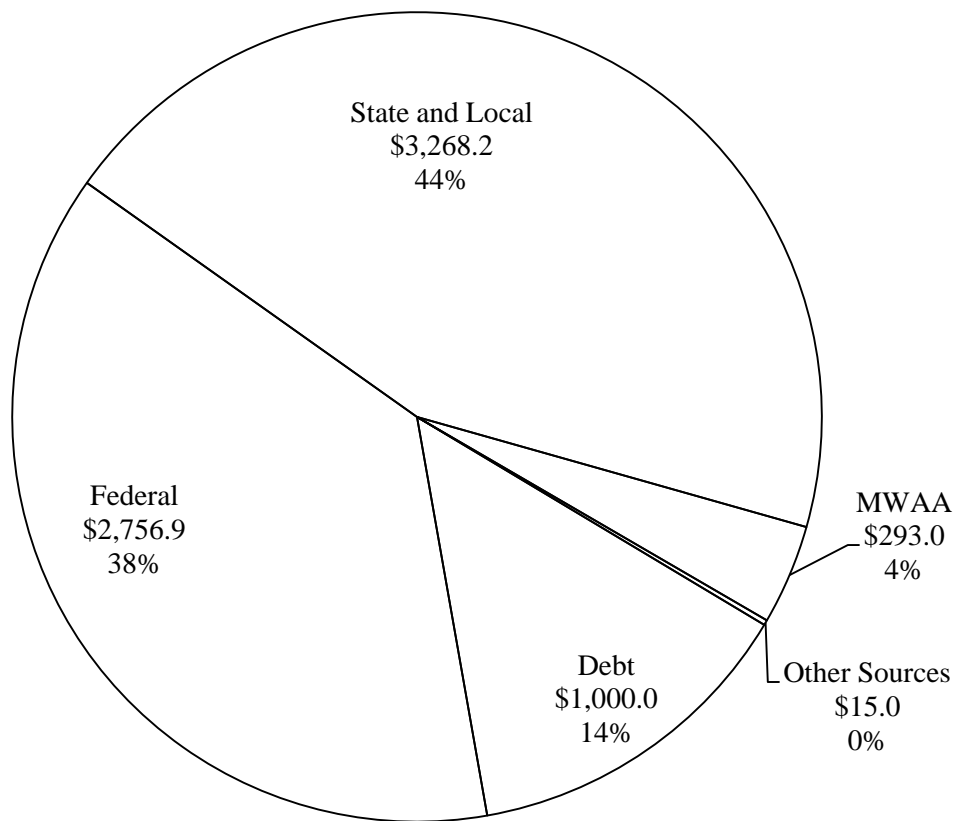


Source: Maryland State Budget, Fiscal 2018

WMATA Six-year Capital Program

WMATA's fiscal 2018 to 2023 *Capital Improvement Program* totals \$7.3 billion. As shown in **Exhibit 8**, State and local funds comprise 44% of planned funding, federal funds comprise 38%, and debt and other sources comprise the remaining 18%.

Exhibit 8
WMATA Six-year Capital Program
Fiscal 2018-2023
(\$ in Millions)



Total: \$7.3 Billion

MWAA: Metropolitan Washington Airports Authority

WMATA: Washington Metropolitan Area Transit Authority

Source: Washington Metropolitan Area Transit Authority, Fiscal 2018 Proposed Budget

WMATA's six-year capital funding plan assumes that the federal Passenger Rail Investment and Improvement Act, through which WMATA annually receives \$150 million in capital funding for safety and state of good repair projects, is re-authorized at the same level once the current 10-year authorization expires in federal fiscal 2019.

Fiscal 2018 Capital Program

WMATA's proposed fiscal 2018 capital program, including the repayment of short-term debt issued to support the fiscal 2017 capital program, totals \$1.4 billion. **Exhibit 9** shows the planned spending by category.

Exhibit 9
Fiscal 2018 Capital Spending by Category
Fiscal 2018
(\$ in Millions)

Category

Railcars	\$523
Rail Systems	117
Track and Structures Rehabilitation	113
Stations and Passenger Facilities	207
Bus and Paratransit	225
Business Support	65
Short-term Debt Repayment	150
Total	\$1,400

Source: Washington Metropolitan Area Transit Authority, Fiscal 2018 Proposed Budget

Exhibit 10, shows the total funding by source for WMATA's fiscal 2018 capital program along with the amount Maryland is expected to contribute based on the proposed budget.

Exhibit 10
Sources of Funding for the Fiscal 2018 Capital Program
(\$ in Millions)

	<u>Total</u>	<u>Maryland</u>
Federal		
Federal Formula Programs	\$302.7	
Federal Passenger Rail Investment and Improvement Act	148.5	
Other Federal Grants	9.1	
<i>Subtotal – Federal</i>	<i>\$460.3</i>	
State and Local		
Federal Formula Programs Match and System Performance	\$210.9	\$73.9
Federal Passenger Rail Investment and Improvement Act Match	148.5	49.5
Other State and Local	15.0	5.0
<i>Subtotal – State and Local</i>	<i>\$374.4</i>	<i>\$128.4</i>
Other Sources		
Metropolitan Washington Airports Authority	118.2	
Other	6.0	
Planned Long-term Financing	441.0	
Debt Service Paid from Capital Grant		10.5
<i>Subtotal – Other Sources</i>	<i>\$565.2</i>	<i>\$10.5</i>
Total	\$1,400.0	\$138.9
Maryland Fiscal 2016 Allowance for WMATA Capital Grant		\$155.9
Variance		\$17.0

WMATA: Washington Metropolitan Area Transit Authority

Note: Numbers may not sum to total due to rounding.

Source: Washington Metropolitan Area Transit Authority, Fiscal 2018 Proposed Budget; Department of Legislative Services

The allowance for the WMATA capital grant is approximately \$17 million more than is needed in fiscal 2018, according to WMATA's proposed budget. Since WMATA's capital program funding includes long-term debt, the funds in excess of what is needed to meet Maryland's fiscal 2018 obligation may be used to decrease the amount of debt that WMATA issues, thereby decreasing Maryland's future obligation to pay debt service. **Language is included in the Recommended Actions section of this analysis, which would restrict the funds for the capital grant to that purpose only.**

Issues

1. WMATA’s Proposed Budget Includes Fare Increases and Service Reductions

To address the decline in operating revenues related to the decline in ridership, WMATA is proposing both a fare increase and a reduction of service in its fiscal 2018 proposed budget.

Proposed Fare Increase

Since 2007, WMATA has had a policy of increasing fares on a biennial basis to account for inflation. WMATA last increased fares in the fiscal 2015 budget. It did not increase fares according to the established schedule in fiscal 2017 due to ridership challenges and customer dissatisfaction with service quality and reliability. Although customer dissatisfaction remains high, a fare increase is being proposed as part of a plan to share the pain of closing the funding gap produced by declining ridership. WMATA estimates that the proposed fare increases will generate an additional \$21 million after accounting for a reduction of approximately 10 million trips due to the increased cost of the service. **Exhibit 11** lists the proposed maximum fare increase. The WMATA board may adopt smaller increases or no increases when it approves the fiscal 2018 budget.

Exhibit 11 Proposed Fare Increases for Fiscal 2018

Metrorail: Standard Fares

- Increase Metrorail rush hour fare up to \$0.10
- Increase Metrorail non-rush hour fare up to \$0.25

Metrorail: Standard Passes

- Replace the 1-day unlimited rail pass with a new 1-day unlimited “combo” rail and bus pass for \$14.75
- Eliminate the 28-day Metrorail pass*
- Increase the 7-day Short-trip pass by \$2.50 and 7-day Fast Pass by \$0.75
- Increase the monthly TransitLink card on MARC and VRE by \$3.00 and MTA by \$5.00
- Eliminate the District of Columbia student 10-trip rail pass as a result of the Kids Ride Free program and the District of Columbia SmartStudent pass

* New monthly SelectPass was approved in December 2016 and is now available at multiple price points.

Metrobus: Standard Fares

- Increase regular and express Metrobus fares by \$0.25
- Increase airport Metrobus fares up to \$2.75
- Route 5A (Washington Dulles International Airport) from \$7.00 to \$9.75
- Route B30 (BWI Marshall Airport) from \$7.00 to \$9.00

Metrobus: Standard Passes

- Option 1: Increase the 7-day regional bus pass by \$2.50 to \$20.00 to correspond with other fare increases, maintaining current pricing structure of 10x regular Metrobus fare
- Option 2: Increase the 7-day regional bus pass by \$0.50 to \$18.00 to correspond with other fare increases but reduce the current pricing structure to 9x regular Metrobus fare
- Eliminate the District of Columbia student 10-trip bus pass as a result of the Kids Ride Free program

Parking

- Increase weekday Metrorail parking fee up to \$0.10
- Adjust parking prices by +/- \$0.25 at up to three locations per jurisdiction. Price changes would be in addition to any approved parking fee increase and locations would be designated by the jurisdiction*

* The District of Columbia has proposed to decrease the daily parking fee at Anacostia station by \$.25 and increase the daily parking fee at the Minnesota Ave. and Rhode Island Ave.-Brentwood stations by \$.25. Other jurisdictions have not listed their choices.

MetroAccess

- The overall fare structure for MetroAccess will remain the same – twice the fare of the fastest comparable fixed-route trip
- If the local bus fare increase from \$1.75 to \$2.00 is approved, the minimum MetroAccess fare will increase from \$3.50 to \$4.00

The maximum fare will remain at \$6.50

BWI Marshall Airport: Baltimore/Washington International Thurgood Marshall Airport

MARC: Maryland Area Regional Commuter

MTA: Maryland Transit Administration

VRE: Virginia Railway Express

Source: Washington Metropolitan Area Transit Authority

Proposed Service Reductions

In proposing service reductions, WMATA notes that while ridership has declined substantially from its peak in fiscal 2009, Metro is operating more scheduled service now than in fiscal 2009, due to the opening of the Silver Line and the adoption of more robust service standards in October 2014, requiring minimum six-minute scheduled headways (the time between one train and the next) during peak hours. WMATA estimates that the proposed service changes in rail service will result in net savings of \$12.0 million, comprising \$20.0 million in reduced expenses partially offset by an estimated \$8.0 million in lower fare revenue from reduced ridership. Reductions to Metrobus service would save a minimum of \$17.0 million, comprising \$19.5 million in reduced expenses partially offset by \$2.5 million in lower fare revenue from reduced ridership. The proposed rail and bus service reductions would reduce annual ridership by an estimated 5 million trips. **Exhibit 12** lists the proposed changes to Metrorail service and Metrobus reductions proposed for Maryland.

Exhibit 12 Proposed Service Reductions For Metrorail and Metrobus (Maryland Only)

Metrorail

Weekday Rush Hour Adjustments

- Orange, Silver, Green, and Yellow Lines: every 6 minutes to every 8 minutes
- Blue Line: every 12 minutes to every 8 minutes
- Red Line, Silver Spring to Grosvenor: every 3 minutes to every 4 minutes
- Red Line, Shady Grove to Glenmont: every 6 minutes to every 8 minutes
- Eliminate Rush Plus Yellow Line service (Franconia-Springfield to Greenbelt)

Weekday Non-rush Hour and Weekend Adjustments

- Reduce the frequency of all train lines from every 12 minutes to every 15 minutes
- Change where Red Line ends – every other train in the direction of Shady Grove ends at Grosvenor instead
- Change where Silver Line ends – every other train in the direction of Largo Town Center ends at Stadium-Armory instead. Weekday, midday service would continue to end at Largo Town Center

Metrobus (Maryland Service Changes)

<u>Route</u>	<u>Name</u>	<u>Service Type</u>	<u>Proposed Service Change(s)</u>
B27	Bowie-New Carrollton	Nonregional	Eliminate service.
B30	Greenbelt-BWI Airport Express	Nonregional	Eliminate service OR reduce frequency to 60 minutes and increase fare to \$9.
C8	College Park-White Flint	Regional	Discontinue segment between Glenmont Station and White Flint Station.
C11, C13	Clinton	Regional	Reduce peak frequency to every 20 minutes.
F1,F2	Chillum Road	Regional	Reduce peak frequency to every 35 minutes.
H11, H12, H13	Marlow Heights-Temple Hills	Regional	Reduce peak frequency to every 25 minutes.
J1	Bethesda-Silver Spring	Regional	Eliminate service.
J5	Twinbrook-Silver Spring	Nonregional	Eliminate service.
J7,J9	I-270 Express	Nonregional	Eliminate service.
P17, P18, 019	Oxon Hill-Fort Washington	Regional	Eliminate service OR restructure to terminate at Southern Avenue Station instead of Downtown DC.
T2	River Road	Nonregional	Reduce peak frequency to every 30 minutes.
T14	Rhode Island Avenue-New Carrollton	Regional	Reduce peak frequency to every 30 minutes.
W13, W14	Bock Road	Regional	Eliminate service OR restructure line to terminate at Southern Avenue Station instead of Downtown DC (all service converted to Route W14 trips) and option to extend to Accokeek Park & Ride.
W19	Indian Head Express	Nonregional	Eliminate service.

<u>Route</u>	<u>Name</u>	<u>Service Type</u>	<u>Proposed Service Change(s)</u>
Z7	Laurel-Burtonsville Express	Nonregional	Eliminate route segment between Burtonsville and South Laurel OR reduce peak frequency to every 35 minutes.
Z11	Greencastle-Briggs Chaney	Nonregional	Eliminate route segment between Greencastle and Burtonsville; reduce peak frequency between Castle Blvd. and Greencastle to every 20 minutes during peak periods.

Source: Washington Metropolitan Area Transit Authority

The WMATA General Manager should comment on the challenges created by combining fare increases with service reductions and indicate how WMATA plans to address those challenges to ensure ridership does not continue to decline as a result of these actions.

2. Federal Transit Agency to Withhold Transit Funding until Metrorail Safety Oversight Program Is Certified

On February 10, 2017, the Federal Transit Administration (FTA) notified Maryland, Virginia, and the District of Columbia that it would immediately begin withholding 5% of Urbanized Area transit formula funds and would continue to withhold funds until the three jurisdictions establish a federally compliant State Safety Oversight Program. MDOT indicates that for Maryland, based on the current federal budget resolution that provides funding through April 28, 2017, the amount to be withheld is approximately \$2.8 million. However, the full federal fiscal 2017 amount is estimated at \$4.8 million.

Background

In October 2015, following a series of safety-related incidents, FTA assumed direct safety oversight for the WMATA rail system from the Tri-state Oversight Committee (TOC). TOC was established in 1997 through a Memorandum of Understanding among the District of Columbia, the State of Maryland, and the Commonwealth of Virginia to comply with an FTA regulation requiring states with a defined rail transit system not under the jurisdiction of the Federal Railroad Administration to develop and maintain a State Safety Oversight (SSO) agency. Under the FTA regulations, however, TOC had no authority to enforce its safety findings through fines, civil actions, or other penalties. This lack of enforcement ability resulted in numerous TOC safety findings remaining open for years. Provisions in the federal Moving Ahead for Progress in the 21st Century Act of 2012, commonly referred to as MAP-21, directed states to establish an SSO agency that is legally and financially

independent of the rail transit agency it oversees and one that has investigative and enforcement authority to ensure that its safety findings are addressed. The new SSO agencies are required to be in compliance with these provisions within three years of publication of final regulations, which occurred on March 16, 2016. However, in a letter dated February 8, 2016, FTA advised the three jurisdictions that unless a compliant SSO agency was certified by February 9, 2017, federal transit funding could be withheld.

Washington Metrorail Safety Commission

In early 2014, the Governors of Maryland and Virginia and the Mayor of the District of Columbia signed a letter providing that the jurisdictions would move forward with creation of the Washington Metrorail Safety Commission (MSC) to replace the TOC. Creation of the MSC requires that each jurisdiction pass identical legislation. The District of Columbia introduced its legislation in July 2016. Virginia is expected to consider its legislation during its 2017 legislative session. In Maryland, departmental legislation was introduced in the 2017 session (HB 119). The Senate has amended SB 265 to be identical to HB 119 and designated it as an emergency bill.

Under the requirements of the MSC legislation, Maryland is responsible for one-third of the annual operational costs of MSC. MSC's operational costs are expected to be higher than TOC's because MSC's duties and responsibilities greatly exceed those of TOC. For example, MSC is required to audit WMATA on a regular basis and may perform inspections and compel WMATA to comply with its orders, whereas TOC has no regulatory or enforcement authority.

MDOT estimates that MSC requires about 14 full-time staff that includes 1 chief executive officer, 5 subject matter experts, 7 technical specialists, and 1 office manager. After taking into consideration other potential costs, such as legal and clerical functions being contracted and additional transit- and safety-related technical experts being hired on an as-needed basis, MDOT estimates MSC's annual operating expenditures to be between \$3.5 million and \$5.5 million. Of this total, federal grant funding of about \$533,000 is expected for each jurisdiction (totaling \$1.6 million) to help offset MSC's operating costs. The remaining \$1.9 million to \$3.9 million in operating costs must be split evenly between Maryland, Virginia, and the District of Columbia. This means that Maryland's share of MSC's operating costs is expected to be between \$633,000 and \$1.3 million each year.

Next Steps

Unfortunately, enactment of identical legislation is only the first step in getting the withheld transit funding restored. FTA indicates that in order for it to certify the MSC the three jurisdictions must:

- submit a certification application and documentation to FTA showing that MSC has independence from WMATA, enforcement and investigation authority, adequate staffing and training, FTA grant recipient status, and has met general program requirements;

- participate in a transitional hand-off period whereby FTA officials work side-by-side with new MSC officials to ensure they are capable of conducting all oversight responsibilities required by federal law; and
- verify with FTA that MSC’s enforcement and oversight capabilities, as well as its inspection, investigation, and audit activities are adequate and meet all statutory requirements.

MDOT should brief the committees on the estimated timeline for accomplishing the steps outlined by FTA to get MSC certified and how the reduction in federal transit funding will impact the activities supported by that funding.

3. WMATA Launches SafeTrack Initiative to Improve Rail Safety and Reliability

In May 2016, WMATA announced the establishment of SafeTrack – an accelerated track work plan to address safety recommendations and rehabilitate the Metrorail system to improve safety and reliability. During the year-long initiative, reduced service hours and 16 “surges” involving continuous single tracking and/or line segment closures will allow WMATA to complete three years’ worth of rehabilitation work. As of February 2017, WMATA had completed 11 surges of varying duration. The shortest surges lasted 7 days; the longest occurred over 42 days. The final surge is projected to occur in June 2017.

WMATA has identified the need to continue an aggressive preventative maintenance effort once SafeTrack is complete that will require continuation of reduced rail service hours of operation. Elected officials in the metropolitan Washington area have expressed a desire for a return to late night service on weekends.

The WMATA General Manager should brief the committees on the status of the SafeTrack effort and whether a return to pre-SafeTrack hours of rail service operation is feasible given the track access demand that will be required to carry out the planned preventive maintenance program once SafeTrack ends.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Add the following language to the special fund appropriation:

. provided that \$155,922,000 of this appropriation made for the purpose of providing a grant to the Washington Metropolitan Area Transit Authority to support its capital program may be expended only for that purpose. Funds not expended for this restricted purpose may not be transferred by budget amendment or otherwise to any other purpose and shall be canceled.

Explanation: The appropriation for the grant to the Washington Metropolitan Area Transit Authority (WMATA) is approximately \$17 million more than the amount identified in the WMATA fiscal 2018 proposed budget as needed from Maryland in fiscal 2018. However, the WMATA capital program relies on the issuance of debt, repayment of which will add to the amount Maryland must contribute in the future. The excess funds in this appropriation may be used as an additional grant to reduce the amount of future debt service. Any funds that are not used for the WMATA capital program in fiscal 2018 will cancel at the end of the fiscal year.

Appendix 1
Current and Prior Year Budgets
MDOT – Washington Metropolitan Area Transit Authority
(\$ in Thousands)

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Federal</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2016					
Legislative Appropriation	\$0	\$320,422	\$0	\$0	\$320,422
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	0	-1,505	0	0	-1,505
Actual Expenditures	\$0	\$318,917	\$0	\$0	\$318,917
Fiscal 2017					
Legislative Appropriation	\$0	\$323,422	\$0	\$0	\$323,422
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Working Appropriation	\$0	\$323,422	\$0	\$0	\$323,422

MDOT: Maryland Department of Transportation

Note: Does not include targeted reversions, deficiencies, and contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2016

Fiscal 2016 special fund expenditures for the Washington Metropolitan Area Transit Authority (WMATA) operating grant were \$1,504,932 lower than the legislative appropriation due to the availability of Transit Investment Fund dollars to support WMATA operations (\$1,219,153) and unused funds for the Tri-State Oversight Committee (\$285,779).

Fiscal 2017

The fiscal 2017 legislative appropriation remains unchanged.

Appendix 2
Fiscal Summary
MDOT – WMATA - Operating Budget

<u>Program/Unit</u>	<u>FY 16 Actual</u>	<u>FY 17 Wrk Approp</u>	<u>FY 18 Allowance</u>	<u>Change</u>	<u>FY 17 - FY 18 % Change</u>
04 Washington Metropolitan Area Transit-Operating	\$ 318,917,068	\$ 323,422,000	\$ 365,284,953	\$ 41,862,953	12.9%
05 Washington Metropolitan Area Transit-Capital	129,659,546	125,400,000	155,922,000	30,522,000	24.3%
Total Expenditures	\$ 448,576,614	\$ 448,822,000	\$ 521,206,953	\$ 72,384,953	16.1%
Special Fund	\$ 448,576,614	\$ 448,822,000	\$ 521,206,953	\$ 72,384,953	16.1%
Total Appropriations	\$ 448,576,614	\$ 448,822,000	\$ 521,206,953	\$ 72,384,953	16.1%

MDOT: Maryland Department of Transportation
WMATA: Washington Metropolitan Area Transit Authority

Note: Does not include targeted reversions, deficiencies, and contingent reductions.

Appendix 3
Budget Amendments for Fiscal 2017
Maryland Department of Transportation
Washington Metropolitan Area Transit Authority – Capital

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Pending	-\$2,167,000	Special	Adjusts the grant to the Washington Metropolitan Area Transit Authority to reflect the Maryland share of the estimated level of capital spending.

Source: Maryland Department of Transportation

Appendix 4
Maryland's WMATA Operating and Capital Subsidies
Allocated by Jurisdiction
WMATA Proposed Fiscal 2018 Budget
(\$ in Millions)

	<u>Montgomery County</u>	<u>Prince George's County</u>	<u>Total</u>
Operating Subsidy			
Metrobus Operating Subsidy			
Regional Bus Subsidy	\$61.6	\$72.2	\$133.9
Nonregional Bus Subsidy	8.8	21.8	30.5
Subtotal	\$70.4	\$94.0	\$164.4
Metrorail Operating Subsidy			
Base Allocation	\$67.3	\$58.7	\$125.9
Max Fare Subsidy	3.2	1.5	4.7
Subtotal	\$70.5	\$60.1	\$130.6
MetroAccess Subsidy	\$22.3	\$47.6	\$69.9
Total Operating Subsidy	\$163.1	\$201.8	\$364.9
Capital Subsidy			
Formula Match and System Performance	\$38.0	\$35.9	\$73.9
Passenger Rail Investment and Improvement Act ¹	22.1	27.4	49.5
Reimbursables and Project Planning	2.5	2.5	5.0
Debt Service	4.9	5.5	10.5
Total Capital Subsidy	\$67.6	\$71.3	\$138.9
Total Subsidy – Operating and Capital	\$230.7	\$273.0	\$503.7

WMATA: Washington Metropolitan Area Transit Authority

¹ WMATA allocates these matching funds to Maryland as a lump sum. The allocation shown here is calculated using the proportionate amounts of the operating subsidy for each county.

Note: Numbers may not sum due to rounding. The State of Maryland pays the entire operating and capital subsidies to WMATA. These allocations show the share of each subsidy based on the facilities located in each county.

Source: Washington Metropolitan Area Transit Authority; Department of Legislative Services