

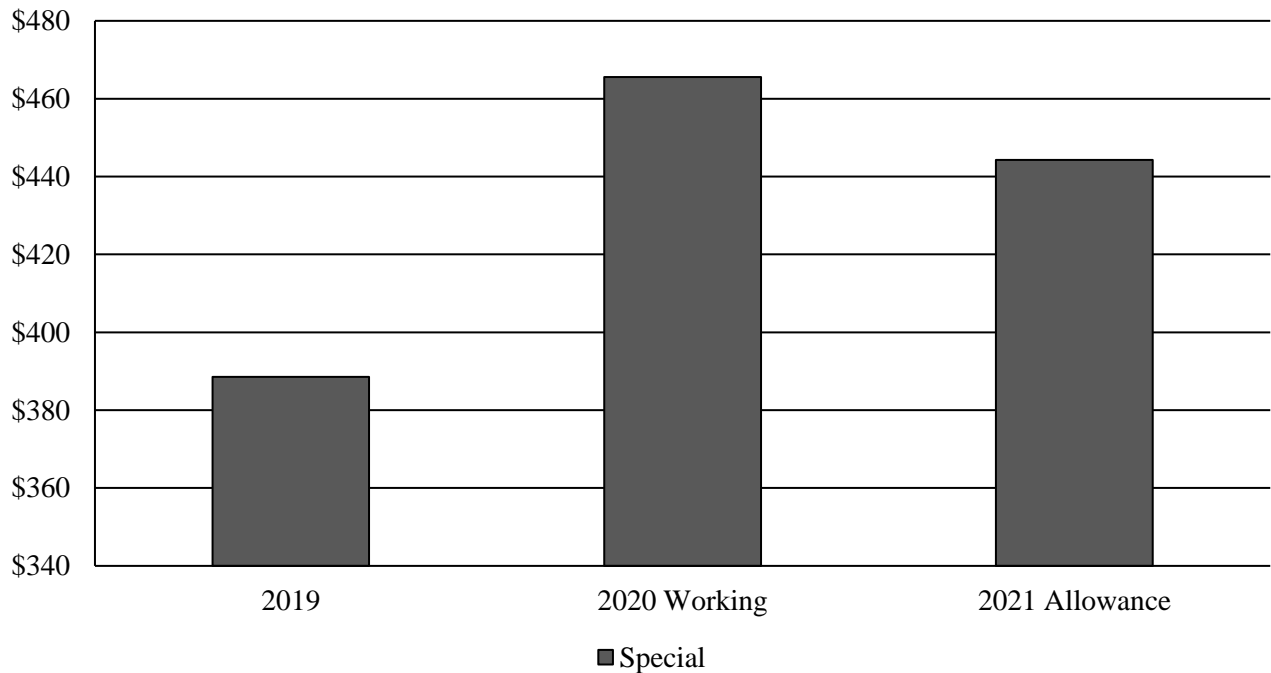
J00A0104
Washington Metropolitan Area Transit Authority
Maryland Department of Transportation

Executive Summary

The Washington Metropolitan Area Transit Authority (WMATA) provides bus, rail, and paratransit service for the Washington, DC metropolitan area. This analysis discusses WMATA's operating and capital budgets and the Maryland contribution toward each budget.

Operating Budget Summary

Budget Decreases \$21.3 Million or 4.6% to \$444.3 Million in Fiscal 2021
(\$ in Millions)

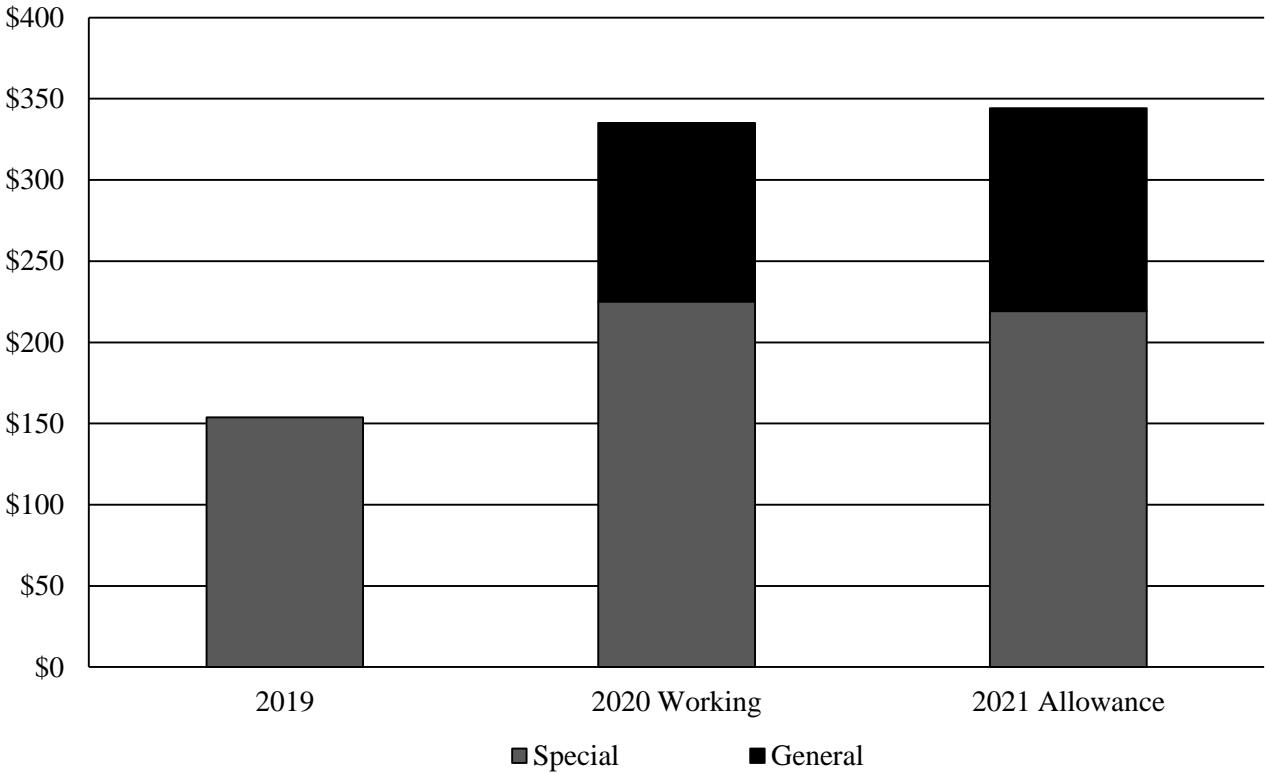


Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

- Fiscal 2020 has been adjusted to include a pending budget amendment to add \$72.6 million, a portion of which is needed due to a timing difference in the State's and WMATA's budget development schedule and the rest to reflect costs of collective bargaining agreements reached subsequent to the approval of the fiscal 2020 budget.

PAYGO Capital Budget Summary

**PAYGO Capital Budget Increases \$9.1 Million or 2.7% to
\$344.2 Million in Fiscal 2021
(\$ in Thousands)**



Note: Numbers may not sum due to rounding.

- The \$125 million in general funds shown in fiscal 2021 is appropriated to the Dedicated Purpose Account (DPA) and will be transferred to the Transportation Trust Fund (TTF) at which time a budget amendment will add a special fund appropriation of that amount to the Maryland Department of Transportation (MDOT) to cover a portion of the mandated \$167 million capital grant to WMATA. In fiscal 2020, \$110 million in general fund support was provided through the DPA, transferred to the TTF, and added to the special fund appropriation via budget amendment. For comparative purposes, the \$110 million is still reflected as general funds in this exhibit.

Key Observations

- Ridership declines in fiscal 2019 were the smallest in four years, reflecting the efforts that WMATA has made to improve the reliability of service.
- Progress has been made in addressing the issues that led MDOT to withhold capital funding from WMATA. The execution of Capital Funding Agreements led to the release of some of the withheld funding, but the resolution of audit issues is required for the release of the remaining \$35.6 million of withheld funding.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

- The Federal Transit Administration certified the Washington Metrorail Safety Commission's State Safety Oversight Program leading to the release of withheld federal grant funds.

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Maryland Department of Transportation

Budget Analysis

Program Description

The Washington Metropolitan Area Transit Authority (WMATA) operates the third 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 fiscal 2020. 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.

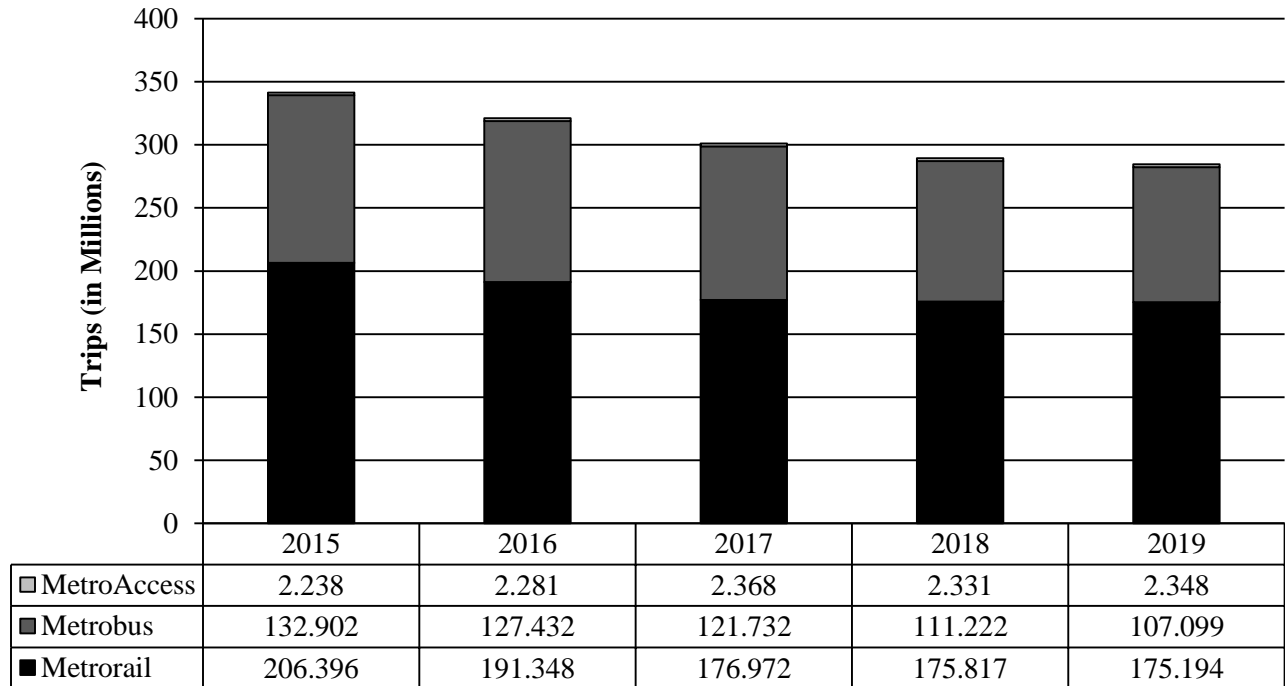
WMATA's mission is to ensure the best in safe, reliable, cost-effective, and responsive transit services by promoting regional mobility and contributing toward the social, economic, and environmental well-being of the community.

Performance Analysis: Managing for Results

1. Ridership

Exhibit 1 shows ridership for the WMATA system from fiscal 2015 to 2019. Ridership in fiscal 2019 decreased by 4.7 million trips (-1.6%) from the prior year with over 87% of the decline occurring in bus ridership, which experienced a 4.1 million trip (-3.7%) decline from the prior year. The ridership decline in fiscal 2019 is the smallest drop in the past four years, and WMATA reports that ridership grew by 20,000 trips per weekday in calendar 2019.

**Exhibit 1
Annual Ridership
Fiscal 2015-2019**

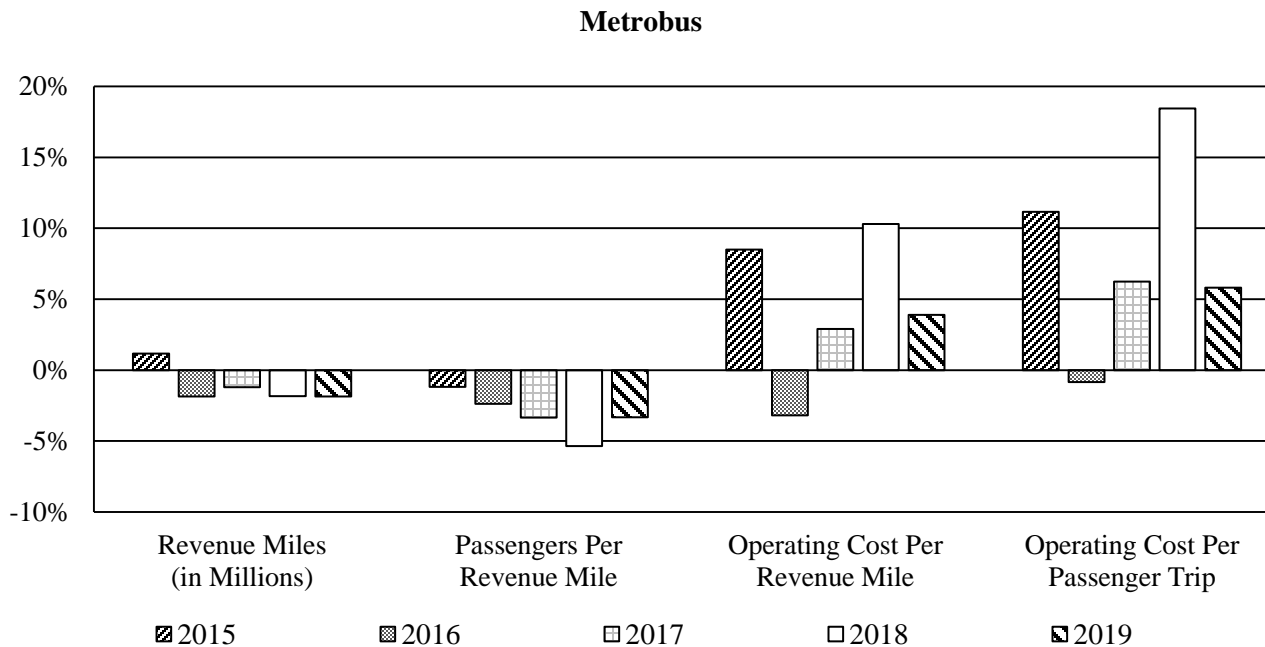
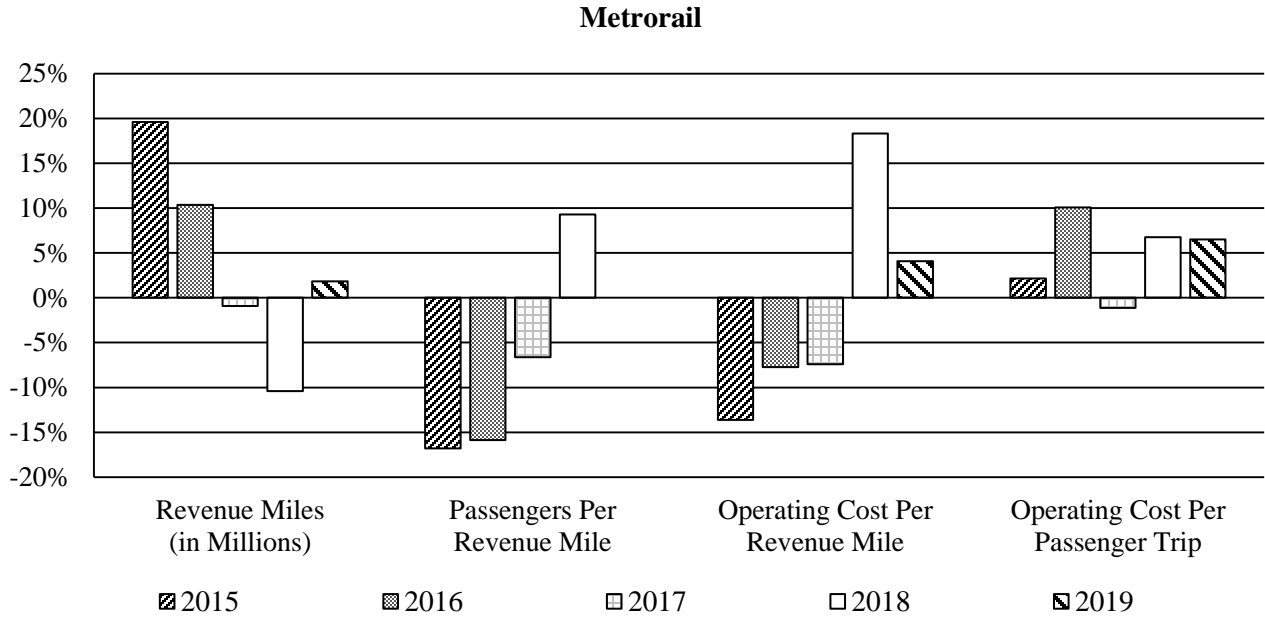


Source: Governor’s Fiscal 2021 Budget Books; Department of Legislative Services

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 2015 through 2019. In fiscal 2019, operating costs were up on both a per revenue mile and per passenger for both Metrorail and Metrobus. For Metrobus, the number of revenue miles and passengers per revenue mile fell compared to the prior year, but, both measures increased for Metrorail.

**Exhibit 2
Metrorail and Metrobus Performance Measures
Fiscal 2015-2019**

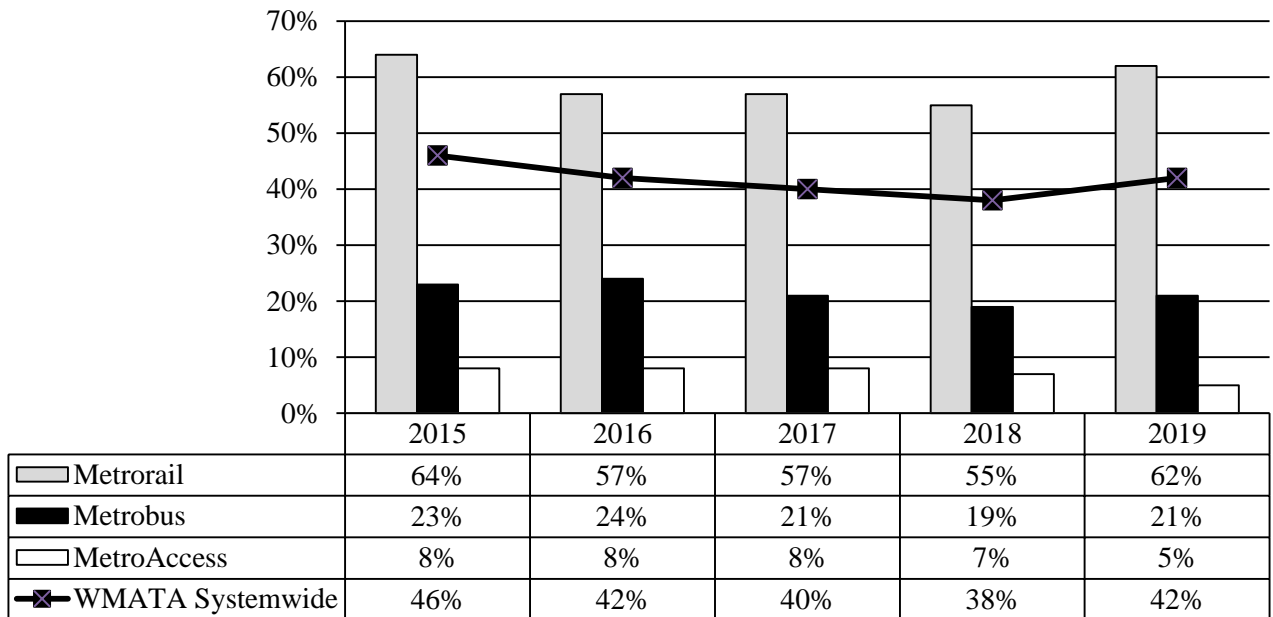


Source: Governor’s Fiscal 2021 Budget Books; Department of Legislative Services

3. Farebox Recoveries

The farebox recovery ratio measures the percent of operating expenses covered by fares collected. **Exhibit 3** shows WMATA’s farebox recovery ratios from fiscal 2015 to 2019 by service and systemwide. The fiscal 2019 systemwide farebox recovery rate was 42%, up from 38% the prior year. Recovery rates increased in fiscal 2019 for each service except MetroAccess, which decreased from 7% in fiscal 2018 to 5% in fiscal 2019.

Exhibit 3
Farebox Recovery Rates
Fiscal 2015-2019



WMATA: Washington Metropolitan Area Transit Authority

Source: Governor’s Fiscal 2021 Budget Books; Department of Legislative Services

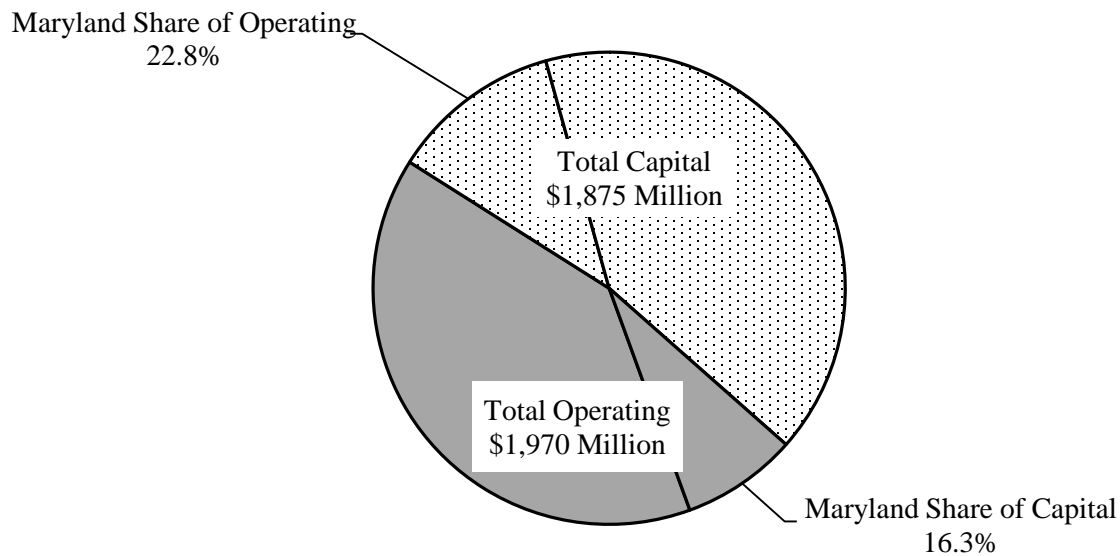
Fiscal 2020

MDOT has a pending budget amendment to add \$72.6 million to fiscal 2020. These funds are needed due to a timing difference in the State’s and WMATA’s budget development schedule and to cover the costs of collective bargaining agreements reached subsequent to the approval of the fiscal 2020 budget.

Fiscal 2021 Overview of Agency Spending

The combined operating and capital budgets for WMATA total \$3.8 billion. As shown in **Exhibit 4**, the Maryland share of the operating budget is 22.8%, and the share of the capital budget is 16.3%.

Exhibit 4 Maryland Support of WMATA's Fiscal 2021 Operating and Capital Budgets



Total: \$3.8 Billion

WMATA: Washington Metropolitan Area Transit Authority

Source: Washington Metropolitan Area Transit Authority, Fiscal 2021 Proposed Budget; Department of Legislative Services

Proposed Budget

Expenditures

As shown in **Exhibit 5**, WMATA's proposed fiscal 2021 operating budget totals \$1,969.9 million, an increase of \$30.0 million (1.5%) over the fiscal 2020 budget. Personnel costs, which account for just over 70% of the operating budget, increase by \$29.2 million. Nonpersonnel costs

increase by a net \$19.7 million, primarily due to increased paratransit service costs and propulsion costs associated with additional rail service. These increased operating costs are partially offset by an increase in the amount of the operating budget allocated to capital funding sources. The capital allocation increases by \$18.9 million to \$64.9 million in fiscal 2021. **WMATA should comment on the increasing reliance on shifting operating costs to capital funding sources, including the impact that this practice has on the capital program and how it intends to address this issue going forward.**

Exhibit 5
Operating Expenses by Category
Fiscal 2020-2021
(\$ in Millions)

	<u>2020</u>	<u>Proposed 2021</u>	<u>Change</u>	<u>Percent Change</u>
Personnel	\$1,357.2	\$1,386.4	\$29.2	2.1%
Services	347.6	369.7	22.1	6.4%
Materials and Supplies	109.3	105.7	-3.6	-3.3%
Fuel (Gas/Diesel/CNG)	32.1	31.5	-0.6	-1.8%
Utilities and Propulsion	89.1	95.1	6.0	6.7%
Casualty and Liability	33.9	29.7	-4.2	-12.5%
Leases and Rentals	10.0	10.0	0.0	0.0%
Miscellaneous	6.7	6.7	0.0	-0.3%
Capital Allocation	-46.1	-64.9	-18.9	41.0%
Total	\$1,939.9	\$1,969.9	\$30.0	1.5%

CNG: compressed natural gas

Source: Washington Metropolitan Area Transit Authority, Fiscal 2021 Proposed Budget

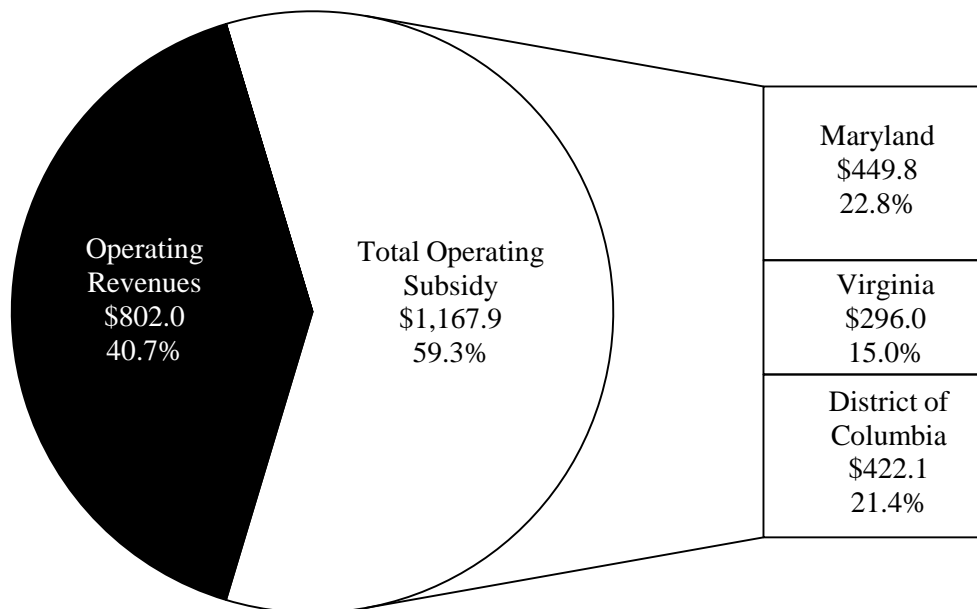
The proposed fiscal 2021 budget includes customer initiatives intended to make transit more attractive and cost competitive with transportation alternatives during off-peak periods and weekends and for single trips involving both the bus and rail systems. These initiatives include added bus and rail service to shorten headways (the period between the departure of a transit vehicle and the arrival of the next one) in high-demand areas, lower rail fares on weekends, and lowering the cost of multi-modal trips. As part of these initiatives, Metrorail service will be extended by 30 minutes to end at midnight Monday through Thursday and by one hour to end at 2 a.m. Friday and Saturday. The increased costs for these initiatives will be offset by restructuring or eliminating less productive bus routes, right-sizing service levels on other bus routes, increasing rail headways for service prior to 6 a.m., adjusting peak rail fares to raise the base-peak fare by \$0.10, simplifying mileage tiers by charging a single per mile rate after three miles (up to the max fare), and increasing the maximum peak fare by \$1.00.

The proposed fiscal 2021 budget does not include funding related to Phase 2 of the Silver Line, which will require both startup as well as ongoing funding. Phase 2 is expected to be ready for revenue service sometime in calendar 2020. Depending on the timing, startup funding could be needed in the current fiscal year. **WMATA should brief the committees on the projected timeline for Phase 2 operations and indicate the likely increase in the operating subsidy that will be required of Maryland, Virginia, and the District of Columbia.**

Revenues

WMATA’s operations are funded through operating revenues (fare revenue being the largest source) and subsidies provided by Maryland, Virginia, and the District of Columbia. **Exhibit 6** shows that 40.7% of the operating budget will be supported by WMATA’s operating revenues in fiscal 2021. The local subsidy fills the gap between operating revenues and expenditures. In fiscal 2021, the local subsidy supports 59.3% of the operating spending.

**Exhibit 6
Proposed Fiscal 2021 Revenues
(\$ in Millions)**



Total: \$2.0 Billion

Source: Washington Metropolitan Area Transit Authority, Fiscal 2021 Proposed Budget; Department of Legislative Services

Exhibit 7 shows the resources that support WMATA’s operations for fiscal 2018 to 2021 and breaks out the Maryland share of the local subsidy.

Exhibit 7
Operating Budget Resources
Maryland Operating Subsidy
Fiscal 2018-2021
(\$ in Millions)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>\$ Change</u> <u>2020-2021</u>	<u>% Change</u> <u>2020-2021</u>
Operating Revenue	\$787.0	\$784.6	\$814.4	\$802.0	-\$12.4	-1.5%
Local Subsidy	1,003.7	1,080.6	1,125.5	1,167.9	42.4	3.8%
Total	\$1,790.7	\$1,865.2	\$1,939.9	\$1,969.9	\$30.0	1.5%
Maryland Share of Operating Subsidy						
Maryland Budget ¹	\$362.5	\$388.6	\$465.6	\$444.3	-\$21.3	-4.6%
WMATA Projection				449.8		
Maryland Budget Surplus/(Shortfall)				-5.5		

WMATA: Washington Metropolitan Area Transit Authority

¹Fiscal 2020 has been adjusted to reflect the pending budget amendment which will add \$72.6 million and excludes debt service which Maryland provides through the capital grant.

Source: Washington Metropolitan Area Transit Authority, Fiscal 2021 Proposed Budget; Department of Legislative Services

WMATA’s proposed budget is not approved by its board until after the Maryland legislative session has ended. If additional funding is needed to meet Maryland’s operating subsidy, MDOT can process a budget amendment to increase the appropriation. Excess appropriations will cancel at the end of the fiscal year or may be reduced by budget amendment during the year.

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, Metrobus, and MetroAccess systems. General parameters on capital funding levels are typically established in a six-year Capital Funding Agreement (CFA) developed through negotiations between WMATA and its local funding partners. However, the last six-year agreement expired on June 30, 2016, and capital funding levels have been negotiated on a year-to-year basis since that time. **WMATA and MDOT should brief the committees on the status of negotiations on a long-term CFA.**

Chapters 351 and 352 of 2018 require the Governor to include an appropriation of \$167 million in the budget as a dedicated capital grant that is in addition to the base capital grant that the State provides each year. Combined with similar mandated appropriations in Virginia and the District of Columbia, these funds provide WMATA with \$500 million per year to address a projected need for \$15.5 billion at the time that these mandates were enacted.

Fiscal 2020 to 2025 Consolidated Transportation Program

The Maryland *Consolidated Transportation Program* (CTP) includes six project information forms detailing the uses for which the Maryland capital grant to WMATA are put. **Exhibit 8** shows the amounts programmed in the CTP for fiscal 2020 to 2025 and the fund sources that support the grant. For informational purposes, the CTP shows federal funds received directly by WMATA that are not included in the MDOT budget.

Exhibit 8
Capital Grant Components
Fiscal 2020-2025
(\$ in Millions)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Six-year Total</u>
WMATA Capital							
Investment Program	\$190.6	\$194.8	\$199.2	\$203.7	\$208.3	\$213.1	\$1,209.7
Project Development	1.3	1.0	1.0	1.0	1.0	1.0	6.3
Matching Funding for PRIIA of 2008	50.0	50.0	50.0	50.0	50.0	50.0	300.0
Metro Matters Program							
Debt Service	9.9	9.9	9.9	9.9	9.9	9.9	59.5
Series 2017B and 2018							
Debt Service	21.3	21.3	21.3	21.3	21.3	21.3	127.8
Governor’s Capital							
Dedicated Funding	167.0	167.0	167.0	167.0	167.0	167.0	1,002.0
Total	\$440.1	\$444.0	\$448.4	\$452.9	\$457.6	\$462.3	\$2,705.3
Special Funds	\$230.2	\$219.2	\$181.5	\$186.0	\$190.7	\$195.5	\$1,203.1
General Funds Dedicated	110.0	125.0	167.0	167.0	167.0	167.0	903.0
Subtotal – Appropriated	\$340.2	\$344.2	\$348.5	\$353.0	\$357.7	\$362.5	\$2,106.1
Federal Funds – WMATA*	\$99.9	\$99.9	\$99.9	\$99.9	\$99.9	\$99.9	\$599.4
Total	\$440.1	\$444.1	\$448.4	\$452.9	\$457.6	\$462.4	\$2,705.5

PRIIA: Passenger Rail Investment and Improvement Act
WMATA: Washington Metropolitan Area Transit Authority

*Federal funds received directly by WMATA and not included in the Maryland Department of Transportation budget.

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

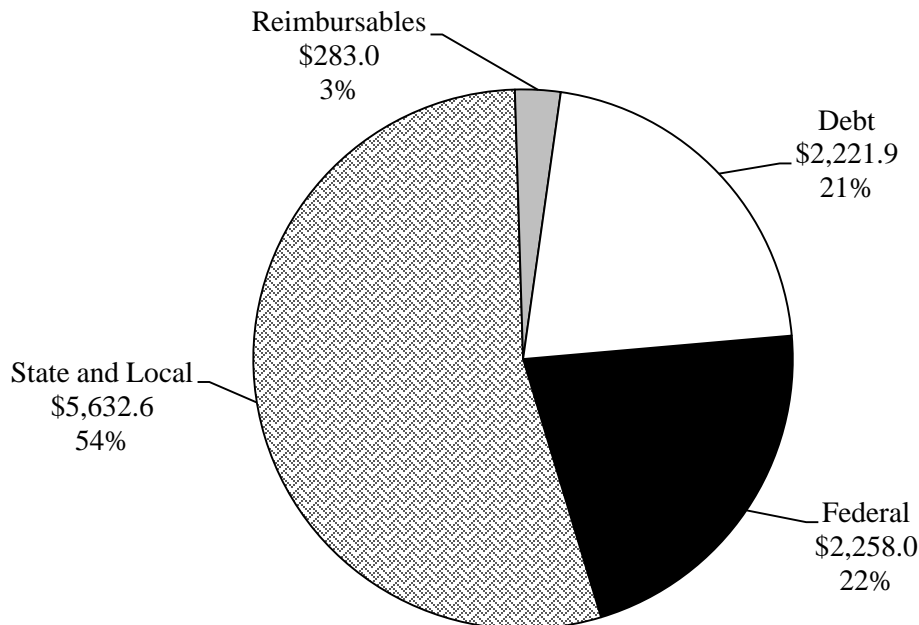
Source: Maryland Department of Transportation, 2020-2025 *Consolidated Transportation Program*

Total six-year State funding programmed for the WMATA capital grant is \$2,106.1 million, which includes general fund support for the Governor’s capital dedicated funding of \$903 million over the six-year program. With federal funds remaining constant throughout the forecast and special fund support projected to decline, general fund support for WMATA provides an increasing share of the funding. In fiscal 2021, general funds account for just over 28% of funding, but by fiscal 2025, the general fund share grows to just over 36%.

WMATA’s Six-year *Capital Improvement Program*

WMATA’s fiscal 2021 to 2026 *Capital Improvement Program* (CIP) totals \$9.7 billion but will cost \$10.4 billion to deliver once funding for debt service and coverage of revenue loss caused by capital projects is factored in. **Exhibit 9** shows the revenue sources assumed in the CIP.

Exhibit 9
Six-year Capital Program Funding Sources
Fiscal 2021-2026
(\$ in Millions)



Total: \$10.4 Billion

Source: Washington Metropolitan Area Transit Authority, Fiscal 2021 Proposed Budget; Department of Legislative Services

WMATA's six-year capital plan assumes that the federal Passenger Rail Investment and Improvement Act (PRIIA), through which WMATA annually received \$150 million in capital funding for safety and state of good repair projects over a 10-year period, will not be reauthorized. The local match to the PRIIA, totaling \$148.5 million per year, is assumed to continue even if the federal program is not extended or replaced.

Fiscal 2021 Capital Program

WMATA's proposed fiscal 2021 capital program totals \$1.9 billion, including debt service and revenue loss coverage. **Exhibit 10** shows the planned spending by category.

Exhibit 10 **Fiscal 2021 Capital Spending by Category** **(\$ in Millions)**

<u>Category</u>	
Railcar	\$279.8
Rail Systems	164.7
Track and Structures Rehabilitation	148.1
Stations and Passenger Facilities	545.5
Bus and Paratransit	207.8
Business Support	475.4
<i>Subtotal</i>	<i>\$1,821.3</i>
Revenue Loss from Capital Projects	\$23.1
Debt Service	31.1
Total	\$1,875.5

Source: Washington Metropolitan Area Transit Authority, Fiscal 2021 Proposed Budget; Department of Legislative Services

Exhibit 11 shows the total funding by source for WMATA's fiscal 2021 capital program along with the amount that Maryland is expected to contribute based on the proposed budget.

Exhibit 11
Sources of Funding for the Fiscal 2021 WMATA Capital Program
 (\$ in Millions)

	<u>Total</u>	<u>Maryland</u>
Federal		
Federal Formula Programs	\$348.2	
Federal Passenger Rail Investment and Improvement Act	148.5	
Other Federal Grants	3.4	
Subtotal – Federal	\$500.1	
State and Local		
Federal Formula Programs Match and System Performance	\$269.3	\$88.3
Federal Passenger Rail Investment and Improvement Act Match	148.5	49.5
Dedicated Funding	500.0	167.0
Subtotal – State and Local	\$917.8	\$304.8
Other Sources		
Jurisdictional Reimbursable Projects	\$88.7	
Debt	368.9	
Subtotal – Other Sources	\$457.6	
Total	\$1,875.5	\$304.8
Maryland Fiscal 2021 Allowance for WMATA Capital Grant ¹		\$313.0
Variance		\$8.2

WMATA: Washington Metropolitan Area Transit Authority

¹Does not include \$31.2 million to pay debt service on bonds issued by WMATA.

Source: Washington Metropolitan Area Transit Authority, Fiscal 2021 Proposed Budget; Department of Legislative Services

The allowance for the WMATA capital grant is \$8.2 million more than what is needed from Maryland, according to the WMATA-proposed budget. However, given the projected \$5.5 million shortfall in the allowance for the operating grant for WMATA and since MDOT has a pending fiscal 2020 budget amendment to add \$72.6 million for the WMATA grant to cover collective bargaining costs and changes to the Maryland contributions stemming from the difference in timing in finalizing budgets, it is not recommended that action be taken to reduce the appropriation for the capital grant.

Issues

1. A Portion of Capital Funding Remains Withheld by MDOT

By letter dated July 1, 2019, the Secretary of Transportation notified WMATA that it was withholding \$55.6 million of capital funding due for dispersal on that date due to the lack of a CFA and issues related to audits. Additional capital funds due for dispersal at the beginning of the second quarter of the fiscal year were also withheld. CFAs were subsequently signed, and the capital funding related to the lack of a CFA was released. MDOT is currently still withholding \$35.6 million of fiscal 2020 capital funding from the first and second quarters pending resolution of the audit issues relating to how past capital funding has been spent. Although these issues have not been fully resolved, MDOT did not withhold any third quarter funding in recognition of the progress that WMATA has made in working to resolve the audit issues.

The lack of CFAs and the issues related to the audits also led to MDOT not certifying to the Governor that it was in receipt of all the required documents and data that would trigger the provisions added through Chapters 351 and 352 to make the base capital grant Maryland provides to WMATA a mandated appropriation. Therefore, in fiscal 2021, only the \$167 million dedicated capital grant portion of the Maryland capital grant to WMATA is mandated.

MDOT should brief the committees on the remaining issues preventing the release of the withheld fiscal 2020 capital funding and whether resolution of those issues provides confidence that it will be able to certify to the Governor the receipt of the information required to establish a mandate for the base capital grant to WMATA for fiscal 2022.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

1. Washington Metrorail Safety Commission Assumes Safety Oversight Responsibilities

On March 18, 2019, the Federal Transit Administration (FTA) certified the Washington Metrorail Safety Commission's (WMSC) State Safety Oversight Program (SSOP), which transferred to WMSC direct safety oversight of the WMATA Metrorail system. The action by FTA also released approximately \$48.5 million in FTA grant funding for transit systems in Maryland, Virginia, and the District of Columbia that had been withheld when the jurisdictions missed a previous SSOP certification deadline.

**Appendix 1
Fiscal Summary
MDOT – WMATA – Operating Budget**

<u>Program/Unit</u>	<u>FY 19 Actual</u>	<u>FY 20 Wrk Approp</u>	<u>FY 21 Allowance</u>	<u>Change</u>	<u>FY 20 - FY 21 % Change</u>
04 Washington Metropolitan Area Transit – Operating	\$ 388,583,416	\$ 392,947,930	\$ 444,275,701	\$ 51,327,771	13.1%
05 Washington Metropolitan Area Transit – Capital	153,788,169	335,133,000	219,151,000	-115,982,000	-34.6%
Total Expenditures	\$ 542,371,585	\$ 728,080,930	\$ 663,426,701	-\$ 64,654,229	-8.9%
Special Fund	\$ 542,371,585	\$ 728,080,930	\$ 663,426,701	-\$ 64,654,229	-8.9%
Total Appropriations	\$ 542,371,585	\$ 728,080,930	\$ 663,426,701	-\$ 64,654,229	-8.9%

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

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.

Appendix 2
Budget Amendments for Fiscal 2020
Maryland Department of Transportation
Washington Metropolitan Area Transit Authority – Operating

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Pending	\$72,631,166	Special	Additional funds are needed (1) to fund WMATA’s operating budget for fiscal 2020 due to a timing difference in the State’s and WMATA’s budget development schedule and (2) for costs related to collective bargaining agreements reached subsequent to the approval of the fiscal 2020 budget.

WMATA: Washington Area Transit Authority

Source: Maryland Department of Transportation

Appendix 3
Budget Amendments for Fiscal 2020
Maryland Department of Transportation
Washington Metropolitan Area Transit Authority – Capital

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Approved	\$110,000,000	Special	Transfers funding from the Dedicated Purpose Account to provide additional capital funds to WMATA in accordance with Chapters 351 and 352 of 2018. The transfer funds were authorized in the fiscal 2020 Budget Bill.

WMATA: Washington Area Transit Authority

Source: Maryland Department of Transportation