



# Washington Metropolitan Area Transit Authority (WMATA) Reform, Governance and Funding

Board Transportation Committee  
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# Background

- During the past year, WMATA's challenges have become highly apparent through:
  - Accidents, derailments, extended maintenance outages, service cuts, inappropriate behavior, revenue shortfalls, increase federal safety and financial oversight, etc.
- Several efforts are underway to address WMATA's operating, safety, governance and funding challenges
- Numerous proposals have been developed to address various aspects of WMATA's challenges
- This presentation is a effort to summarize these proposals

# Various Efforts Underway

- WMATA General Manager Paul Wiedefeld
- Northern Virginia Transportation Commission
- Metropolitan Washington Council of Governments
- Federal City Council
- Regional Civic and Business Organizations
- Amalgamated Transit Union Local 689
- Maryland State Legislators
- Congressman John Delaney (MD)
- Former U.S. Secretary of Transportation LaHood
- Other
- Revenue Advisory Board



# WMATA General Manager's Proposal

## Capital Budget

- Jurisdictional capital contributions should be capped at 3% annually
- Create a “Rainy Day Fund” by accumulating up to 10% of the operating budget over 10 years.
- \$15.5 billion in capital funds needed over the next 10 years
- The region establish a multi-year, stable revenue source generating \$500 million per year for capital (Capital Trust Fund)
- Capital Trust Fund should be dedicated to capital investment
- Congress should reauthorize federal capital investment (PRIIA) for WMATA at least at \$150 million per year



# WMATA General Manager's Proposal (continued)

## Operating Budget

- Jurisdictional operating subsidies should be capped at 3% annual growth
- Keep pension plan for active employees/retirees, but move to defined contribution plan for new hires
- Enhance flexibility and reduce costs with innovative approaches including competitive contracting
- Congress should amend the National Capital Area Interest Arbitration Standards Act (Wolf Act) to require arbitration process that considers financial condition of WMATA
- Create a “Rainy Day Fund” to incrementally provide 10% of the operating budget over 10 years

# Northern Virginia Transportation Commission Efforts

- NVTC Governance and Personnel Committee has had several meetings to discuss WMATA Governance and Funding
- At the recommendation of the Governance Committee, the Commission approved a resolution that endorsed the direction and spirit of the WMATA General Manager's Proposal and a first step toward WMATA reform
- The Committee has also proposed a resolution that recommends:
  - 12 member WMATA board with no alternates (3-VA, 3-MD, 3-DC, 3-Fed)
  - Virginia's members (1 appointed by Governor; 2 appointed by NVTC)
  - All WMATA board members will be paid by WMATA
  - WMATA board should include mix of elected and non-elected members with experience in transit, transportation or land-use planning; transit, transportation or public sector management; engineering; finance; public safety; homeland security; human resources or law; or knowledge of region's transportation issues

# NVTC Efforts (Continued)

- Stronger board ethics rules for fiduciary duties and conflicts of interest
- Eliminating the Jurisdictional Veto
- Commission members asked to provide feedback
- Committee will meet again on July 19
- Commission expected to vote on resolution on September 7



# Council of Governments Efforts

- MWCOCG established Metro Strategy Committee
  - Committee primarily focused on WMATA funding challenges
- MWCOCG adopted series of principles to provide a focus for the regional actions needed to facilitate achievement of the region's goals for Metro, including:
  - Optimal way to address capital funding gap is through dedicated funding source or sources earmarked to WMATA that are fully bondable and enhance WMATA's overall financial standing.
  - Operating and maintenance funding needs should be addressed through management best practices and reforms, as well as increased ridership, before determining if there is a need for additional funding
  - Local and state contributions for subsidies should be predictable with an annual growth rate of not more than 3%.



# MWCOG Efforts (Continued)

- Enhancement and reform of WMATA's governance and operations may be accomplished through agreements, policies, and legislative actions that optimally would be accomplished without reopening the Compact at this time.
- The federal government must recognize its fiscal responsibility to the system and the federal workforce utilizing the Metrorail system.
- MSC is working to reach consensus on the amount of funding needed, but seems to have consensus that new revenues should be focused on capital needs
- MSC is discussing ways to allocate shares of additional revenue requirements to DC, MD and VA.
- Meeting again in August. MWCOG Board to consider resolution on September 13.

# Federal City Council

- Board of Directors:
  - Nine-member WMATA Board: 2 each for DC, MD, VA, and federal government, and WMATA GM/CEO. Two-term limit.
  - Members cannot currently hold or, in the four years prior, held elected political office.
  - Members must have demonstrable experience in the fields of engineering, mass transit management, large-cap publicly traded Board of Directors, CEO or CFO, or public sector financial management or oversight.
  - Compensated at a uniform rate by WMATA
- Operating Budget
  - No Capital funds used for operations and vice versa.

# Federal City Council

- Operating Revenue
  - Increase Metro's capture of federal employee transit reimbursement
  - Signatories commit to a five-year rolling subsidy level
- Capital Funding
  - Two ways could generate sufficient funding for State-of-Good-Repair needs via bond issuances, with federal and jurisdictional credit enhancement:
    - 1% dedicated regional sales tax.
    - Annual fee assessed on property owners within ½ mile radius of WMATA station entrance, including properties owned by feds and/or Compact signatories.



# Civic and Business Organizations (including Board of Trade, Northern Virginia Chamber)

- Governance Reforms
  - Right-size WMATA board
  - Require directors to have expertise in specialized areas, including transit operations, management, finance and safety
  - Ensure that sole fiduciary responsibility of the Board is to the organization
- Funding
  - Require multi-year commitments from funding jurisdictions for operating
  - Identify dedicated funding source for capital
  - Secure continuing funding commitment from federal government
- Operations
  - Implement service and operating changes to improve safety, reliability and ongoing operational savings

# Amalgamated Transit Union Local 689

- Funding
  - Establish WMATA Assessment Districts to generate predictable transit funding.
  - Dedicate nominal rental car taxes from Reagan National Airport and Dulles Airport Metrorail stops for operations.
  - Amend federal law to allow larger transit systems to use FTA funds for operations in crisis situations.
  - Maximize amount of Federal Transit Administration funds for paratransit operating assistance
  - Flex FTA capital funds for maintenance to extent possible
  - Pass legislation in MD and VA requiring employers with 20+ employees to offer pre-tax or subsidized commuter benefits for use on WMATA.

# ATU Local 689 (Continued)

- Operations
  - Establish labor-management partnerships on all safety matters.
  - Bring MetroAccess operations in-house
  - Implement Transit Advisory Committee for Safety recommendations
- Fares/ Hours of Operations
  - Implement modified flat fare system.
  - Reject service cuts and fare increases.
  - Allow free transfers within two hours of the time you paid fare.
  - Implement system that takes into account passenger's ability to pay
  - Expand hours of operation.

# Maryland State Legislators

- Governance
  - 3 member Board: Maryland Secretary of Transportation, Virginia Secretary of Transportation, and District of Columbia Director of Transportation. No jurisdictional veto.
  - Federal government and local jurisdictions would be able to appoint non-voting ex officio members, with no formal vote.
- Funding
  - Require each jurisdiction to establish a dedicated funding source yielding \$170 million annually, with inflation.
  - Require Metro to publish a detailed six year line item Capital Improvement Program annually, with public hearing in each of the three jurisdictions annually prior to adoption and amendments only occurring by unanimous vote of the Board.
  - Reauthorize Federal \$1.5 B funding over 10 years.

# MD Legislators (Continued)

## Other

- Strengthen the Office of the Inspector General
- Update Compact
- Enhance transparency through various means
- Convert current committees to Riders' Council and add to Compact



# Congressman John Delany Efforts

- WMATA Improvement Act introduced
- Provides additional \$150 M per year (\$75 M from Federal Government and \$25 M each from DC, MD and VA), if following actions are taken:
  - Each Board member must be certified experts in either transit, safety, management or finance with 18 months
  - Board must have a primary fiduciary duty to WMATA
  - Board will be 9 members two each from DC, MD and VA + General Manager; No alternates
  - Board must certify that any amendments to collective bargaining agreement allow WMATA to improve safety, reliability, and service and lower costs
- If changes are not implemented in 18 months, the Federal Government withdraws from the Compact.

# Virginia Directive / Secretary LaHood Efforts

- 2017 General Assembly Session – various pieces of legislation were passed by the General Assembly (HB 2136, SB 1251, HJ 617, and the Commonwealth’s Biannual Budget) that included language requiring the Secretary of Transportation to undertake a review of WMATA and the WMATA Compact, and enter in into discussions with his counterparts in DC and Maryland to identify possible improvements to the agreement, particularly with regard to the governance, financing, and operation of WMATA.
- Former United States Secretary of Transportation Ray LaHood was asked to lead this effort.

# Secretary LaHood Effort (Continued)

- Conducting bench marking activities
- Reviewing WMATA finances
- Reviewing governance structures
- Report/Recommendations Due November 2017
  - Expected September 2017

# Other Efforts

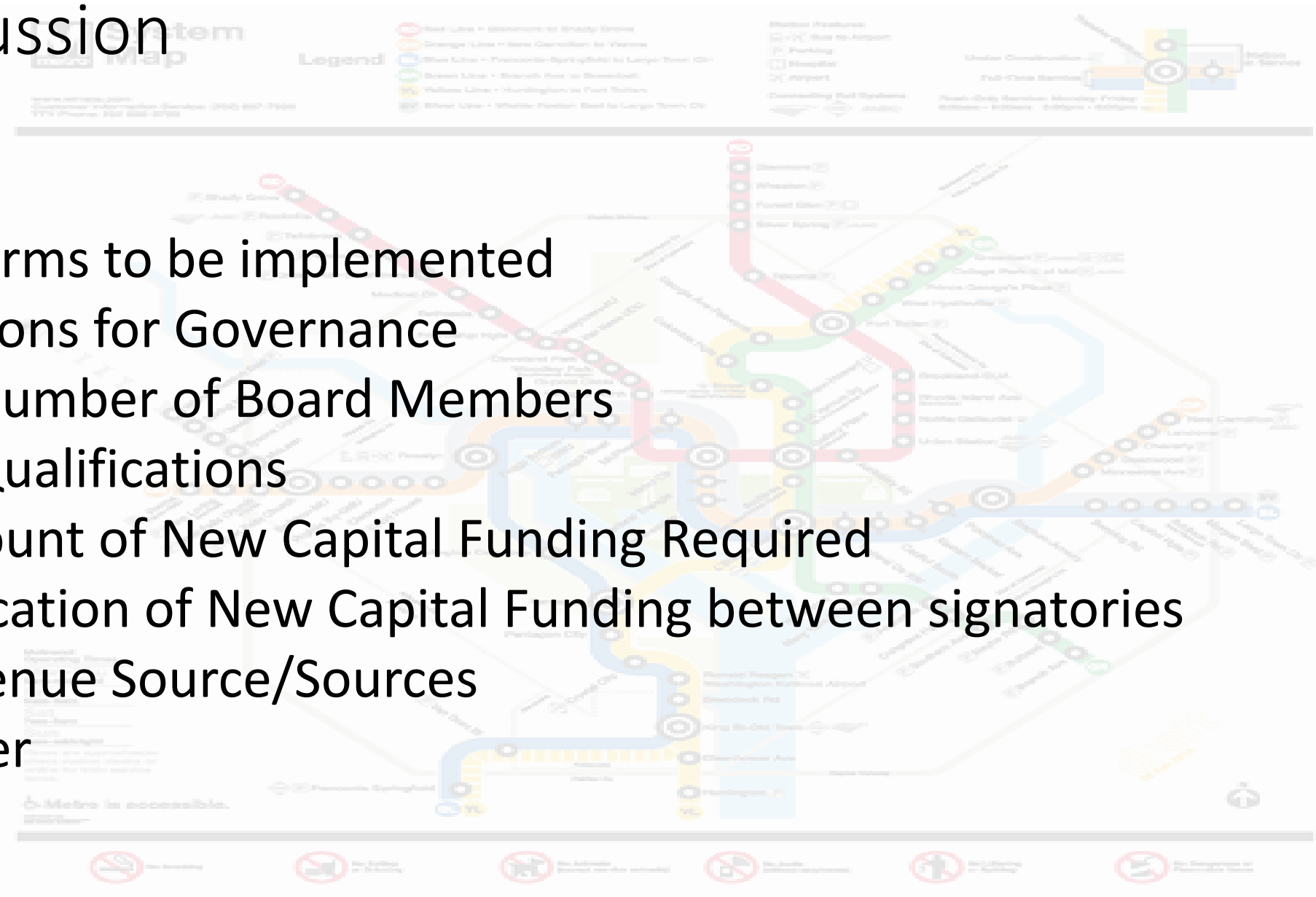
- Other proposals are expected
- At least one Member of Congress is reported preparing WMATA related legislation

# Revenue Advisory Board



- An evaluation identified an average revenue gap of \$130 million annually over the next ten years.
  - WMATA capital needs are not fully factored into this analysis and will require additional consideration in the revenue approach.
- A combination of sustainable and dedicated revenue sources, including both state and regional sources, should be considered. The majority of these funds should be from statewide sources. The RAB chose to not endorse a specific package.
- Transit capital resources should be prioritized by project, based on quantifiable measures; and a illustrative process has been developed.
  - Prior to any process be implemented, further input from the CTB and the Transit Service Delivery Advisory Committee is needed.
- Report due to General Assembly on August 1, 2017.

# Discussion



- Reforms to be implemented
- Options for Governance
  - Number of Board Members
  - Qualifications
- Amount of New Capital Funding Required
- Allocation of New Capital Funding between signatories
- Revenue Source/Sources
- Other