

City of Alexandria, Virginia

MEMORANDUM

DATE: NOVEMBER 18, 2015

TO: MEMBERS OF THE TRANSPORTATION COMMISSION

FROM: CARRIE SANDERS, ACTING DEPUTY DIRECTOR, TRANSPORTATION & ENVIRONMENTAL SERVICES

SUBJECT: AGENDA ITEM #5 – WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY FY 2017 BUDGET UPDATE

ISSUE : Provide an update to the Transportation Commission on the WMATA FY 2017 budget.

RECOMMENDATION: That the Commission receive the following update.

BACKGROUND: The WMATA FY 2017 budget development process was kicked off in September 2015 with a “preview” of the structural challenges facing the Washington Metropolitan Transit Authority. The primary challenge is related to expense growth, particularly wage and fringe benefits growth for personnel, which is outpacing revenue growth. This expense growth is leading to significant year-over-year increases in the required jurisdictional operating subsidy. Closing this gap will be critical to ensuring the long-term financial stability of WMATA.

DISCUSSION: Compared to its peak in FY 2009, Metrorail average weekday ridership in FY 2015 declined by approximately five percent due to a number of external challenges, including growth in telecommuting, reductions in the federal transit benefit, and new competitors in the transportation market. And in the first quarter of FY 2016, ridership has dropped further, and this drop appears to be linked to customer service issues, including declining service reliability.

At the November 5, 2015 WMATA Board Meeting, staff introduced WMATA's top priorities for FY 2017, which are in three major categories:

- Critical safety and security investments: Ensuring the safety and security of customers and employees is WMATA's highest priority.
- Customer service initiatives: To regain the trust and satisfaction of current customers and to draw new customers to the system.

- Efficiency enhancements: In order to reduce costs, bring expense growth in line with expected revenues, and reduce jurisdictional subsidy requirements.

WMATA has also provided the following operating and capital budget options. Four high-level operating budget options are considered for the FY 2017 operating budget:

- A “zero subsidy growth” option that keeps the jurisdictional subsidy contribution at the same level as the FY 2016 subsidy through a proposed change in WMATA policy with respect to eligible preventive maintenance expenses.
- A “business as usual” scenario with no changes to fares or services and also no changes to the capitalization of preventive maintenance, which results in a 10 percent increase in jurisdictional subsidy.
- Two options which limit the increase in jurisdictional subsidy to 3 percent over FY 2016 – the first through a substantial fare increase, and the second through a combination of a smaller fare increases and targeted service reductions.

Three high-level funding options are being considered by WMATA as starting points for the discussion of the renewal of the six-year Capital Funding Agreement (CFA). The CFA is the multijurisdictional agreement for WMATA’s Capital Improvement Program (CIP). The three options include:

- Total CIP funding of approximately \$6 billion over six years, consistent with current funding levels, which would support only ongoing required investment in safety and state of good repair.
- Funding of \$7 billion, which would allow for increased investment in currently deferred projects.
- Funding of \$8 billion, which would further reduce investment backlog and allow WMATA to begin planning for future enhancements.

As the FY 2017 budget process moves forward, staff will continue to provide the Transportation Commission with updates.