

J00A01.04
Washington Metropolitan Area Transit Authority

Operating Budget Data

(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 02-04</u> <u>Change</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>
Grants	\$123,701	\$129,030	\$146,415	\$22,714	\$149,998	\$3,583
Special Funds	\$123,701	\$129,030	\$146,415	\$22,714	149,998	3,583
Annual % Change		4.3%	13.5%		2.4%	

- The fiscal 2005 allowance for the subsidy provided to the Washington Metropolitan Area Transit Authority (WMATA) increases by \$3.6 million (2.4%).
- WNATA's Board of Directors has voted to raise the rate of the subsidies provided by the participating jurisdictions by 4.5%. This level of increase is likely to require an additional \$5 million in subsidies from Maryland above the amount provided in the Governor's budget allowance.

PAYGO Capital Budget Data

(\$ in Thousands)

	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 04-05</u> <u>Change</u>	<u>FY 04-05</u> <u>% Change</u>
Special Funds	\$83,149	\$152,107	\$149,720	\$85,350	-\$64,370	-43.0%
Federal Funds	5,243	8,685	9,880	16,840	\$6,960	70.4%
Adjusted Grand Total	\$88,392	\$160,792	\$159,600	\$102,190	-\$57,410	-36.0%

- The fiscal 2005 capital allowance for WMATA decreases by \$57.4 million (36%) under the fiscal 2004 working appropriation. This decrease reflects a return to a normal spending pattern following an advance of funds provided by the Maryland Department of Transportation (MDOT) to WMATA in fiscal 2004 for the Addison Road project.

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

For further information contact: Lucinda D. Lessley

Phone: (410) 946-5530

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- The fiscal 2004 working appropriation for WMATA's capital expenditures increased by \$73 million over the legislative appropriation because it was necessary for MDOT to advance money to WMATA to cover shortfalls in funding for the Addison Road Metro extension project due to the timing of federal aid disbursements. The entire amount of money advanced by MDOT to WMATA is expected to be repaid in fiscal 2004 and 2005.

Analysis in Brief

Issues

WMATA Considers Additional Fare Increases: Fares on the WMATA system were raised at the start of fiscal 2004 and WMATA is again proposing that fares be increased to meet ongoing budget shortfalls. On February 19, 2004, WMATA's Board of Directors adopted a schedule of potential fare increase that could generate up to \$33.5 million to be applied to the operating budget. **DLS recommends that MDOT and WMATA discuss with the budget committees current proposals for increasing WMATA fares.**

Four WMATA Bus Routes and a Shuttle Service Eliminated: As required by committee narrative in the 2003 *Joint Chairman's Report*, MDOT reviewed the 62 Metrobus routes serving the State and identified 14 routes that were not achieving at least a 15% cost recovery rate or that were failing on other performance criteria. As a cost saving measure, MDOT requested that WMATA eliminate 6 under-performing bus routes; WMATA's Board of Directors voted to approve the elimination of 5 of the 6 routes. **DLS recommends that MDOT discuss with the budget committees what action – if any – will be taken to improve the service of the nine additional under-performing routes identified by MDOT.**

Metro "Stands on the Precipice of a Fiscal and Service Crisis": WMATA has identified \$1.5 billion in unfunded priority capital projects, including rolling stock purchases, infrastructure renewal projects, and security enhancements that if not implemented will severely impair the system's ability to function at its current service level. WMATA is likely to require additional capital funding from its participating jurisdictions to implement these projects even if some federal contribution is secured. **DLS recommends that MDOT and WMATA discuss with the budget committees the status of efforts to secure federal funding for WMATA's capital program, as well as the increased capital funding likely to be required from Maryland.**

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Capital Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

Performance Measures for Transit Systems in Montgomery and Prince George's Counties: Chapters 210/211, Acts of 2000 required MDOT to provide annual reports on performance indicators that track service efficiency in Montgomery County's "Ride-On" bus service and in Prince George's County's "the Bus" service.

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Budget Analysis

Program Description

The Washington Metropolitan Area Transit Authority (WMATA) operates the second largest rail transit system and the fifth largest bus network in the United States. WMATA was created in 1967 by an interstate compact in which Maryland, the District of Columbia, and Virginia participate, with each jurisdiction providing two directors to WMATA's six-member Board of Directors. Construction of WMATA's 103-mile Metrorail system began in 1969 and was completed in 2001; the system now serves 24 stations in Maryland.

Maryland provides an annual operating grant to the Washington Suburban Transit Commission (WSTC), through the Secretary's Office budget. WSTC provides funding to WMATA for the operation of the Metrorail and Metrobus systems. 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 fare revenues generated by each service.

Governor's Proposed Operating Budget

As shown in **Exhibit 1**, the fiscal 2005 allowance for the subsidy provided by Maryland to WMATA increases by \$3.6 million (2.4%).

Exhibit 1
Governor's Proposed Budget
Washington Metropolitan Area Transit Authority
(\$ in Thousands)

	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 04-05</u>	<u>FY 04-05</u>
	<u>Actual</u>	<u>Approp.</u>	<u>Allowance</u>	<u>Change</u>	<u>% Change</u>
Special Funds	\$129,030	\$146,415	\$149,998	\$3,583	2.4%
Adjusted Grand Total	\$129,030	\$146,415	\$149,998	\$3,583	2.4%

Where It Goes:

Other Changes

Estimated increase in Metrobus and Metrorail subsidy	\$1,300
Estimated census formula impact (increase in Maryland's subsidy due to population increases)	1,300
Projected prior year shortfall (negative audit adjustment from fiscal 2003)	1,000
Other Changes	-17
Total	\$3,583

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

WMATA's Fiscal 2005 Operating Budget

In December 2003, WMATA's General Manager proposed to WMATA's Board of Directors an operating budget for fiscal 2005 that grew by 7% over the fiscal 2004 budget. The increase in the operating budget is due in large part to the anticipated opening of the Largo extension and the new in-fill station at New York Avenue, as well as increases in the cost of providing paratransit services and the need to provide an additional amount of funding for WMATA's pension plan.

WMATA's board has voted to raise the rate of the subsidies provided by the participating jurisdictions by 4.5%; this is the amount of increase that has generally been required in the subsidies on an annual basis. This level of increase is likely to require an additional \$5 million in subsidies from Maryland above the amount provided in the Governor's budget allowance.

Even with the increase in the subsidy amount, however, WMATA will have a remaining budget deficit of approximately \$28 to \$29 million assuming that the operating budget grows at the 7% level as proposed by the General Manager. This budget shortfall must be made up either by cost containment reductions or through an increase in WMATA's fares. Additional information on proposed fare increases at WMATA is provided later in the analysis.

DLS recommends that MDOT discuss with the budget committees how the increased subsidy amount will be provided to WMATA. In addition, WMATA should discuss potential cost containment measures that could be enacted to limit increases in fares and subsidies.

Paygo Capital Program

Program Description

MDOT Secretary's Office provides a grant to support WMATA's capital program, including the design, construction, and rehabilitation of the Metrorail and Metrobus systems. The State also pays 100% of Maryland's share of Metrorail construction, maintenance, debt service, and paratransit retrofitting costs.

Fiscal 2004 to 2009 Consolidated Transportation Program

The fiscal 2005 allowance for WMATA's capital program totals \$102.2 million, a decrease of \$57.4 million (36%) below the fiscal 2004 working appropriation.

WMATA's Capital Program

Exhibit 2 lists the funding levels that are projected to be provided by the State in fiscal 2005 for capital projects at WMATA.

Exhibit 2 Major Ongoing Construction Projects (\$ in Thousands)

<u>Project Description</u>	<u>FY 2005</u>
Metrorail Construction	\$1,200
Metrorail Debt Service	9,741
Addison Road Metro Extension	29,526
Metrorail Equipment Rehabilitation and Replacement	27,300
Metrobus Capital	7,200
Metrobus/Metrorail Repairable Parts	1,908
System Access Plan	30,000
Cash Flow Adjustments	-4,675
Total	\$102,200

Source: Maryland Department of Transportation, 2004 *Consolidated Transportation Program*

Final Payment for Construction of Metrorail System Made in Fiscal 2004

In fiscal 2005, the State will make its final payment of \$1,200,000 for costs associated with the construction of the original 103-mile Metrorail system. The State will continue to make an annual

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debt service payment of \$9.7 million on the revenue bonds sold to finance construction of the system until fiscal 2014, when the bonds are expected to be retired.

WMATA's current capital program consists of three main components:

- **Infrastructure Renewal Plan (IRP):** WMATA's IRP is an ongoing 25-year infrastructure maintenance program intended to maintain WMATA's investment in its existing infrastructure and rolling-stock by supporting the regular rehabilitation and replacement of these items. There are three projects in Maryland's *Consolidated Transportation Program (CTP)* that are part of WMATA's IRP:
 - **Metrorail Equipment Rehabilitation and Replacement:** Maryland is projected to provide \$80 million in fiscal 2005 (including \$14.3 million in federal funds that pass through the Transportation Trust Fund) to WMATA to support the ongoing rehabilitation of WMATA's rail cars, including the overhaul/replacement of rail car subsystems and right-of-way maintenance;
 - **Metro Bus Capital:** Maryland is projected to provide \$23.2 million in fiscal 2005 to support the purchase of new buses at WMATA and the mid-life overhaul of WMATA's fleet (the average age of WMATA's bus fleet is now 7.9 years); and
 - **Metro Bus Repairable Parts:** Maryland is projected to provide nearly \$2 million in fiscal 2005 to fund the replacement or rehabilitation of parts for rail cars, facilities, buses, and other major infrastructure components.

When Virginia's transportation financing referendum failed to win approval during the last election, Virginia was forced to lower its contribution to WMATA's IRP. As a result, WMATA lowered its entire IRP to the level that Virginia could afford; Maryland's contribution to the IRP was therefore also lowered. Maryland decided to transfer the money it had already allocated to the IRP to the System Access Plan as described below. Further, as will be discussed later in the analysis, WMATA began to solicit increased federal capital funding for the system to try to relieve the funding burden placed on the participating jurisdictions by WMATA's capital costs – including its IRP.

- **System Access Plan (SAP):** The SAP, which was approved by WMATA in fiscal 2003, is intended to provide the additional infrastructure necessary to accommodate overall growth in the Metro system. Maryland's fiscal 2005 allowance for this program is \$30 million – an increase of \$20.6 million over the fiscal 2004 working appropriation; this money is provided entirely from special funds.

In fiscal 2003, WMATA approved the purchase of 48 new rail cars for a total price of \$120 million. Maryland's portion of the costs of purchasing these rail cars is funded through its allowance for the SAP. WMATA currently has the option of purchasing an additional 50 to 120 rail cars under its existing contract; the purchase of these cars would enable the system to begin running 8-car trains (instead of the 6-car trains currently in operation). This purchase option must be exercised in calendar 2004; if it is not exercised, future rail car purchases are projected to cost approximately 50 – 100% more than the most recent purchases.

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Maryland transferred \$87.2 million previously budgeted for the IRP to the SAP in anticipation that WMATA would exercise the purchase option for the additional rail cars. It is unclear at this time whether the rail car purchase option will be exercised or how much of the funding budgeted by Maryland for the SAP will be expended on this program.

DLS recommends that MDOT and WMATA discuss with the committees the current status of the System Access Plan, including discussing whether WMATA will exercise the rail car purchase options.

- **System Expansion Plan (SEP):** In addition to the IRP and SAP, WMATA maintains a SEP, which is a series of proposed system expansion projects that would add 100 miles of fixed guideway service to the current system. The SEP includes such projects as the addition of new in-fill stations in the District of Columbia and the expansion of Metro to Washington Dulles International Airport (in Virginia). Funding is identified for specific projects as they are developed; the provision of funding for such expansion projects is the responsibility of the jurisdiction that wishes to undertake the project.

Metro Expansion to Largo

Construction is continuing on the extension of Metro's Blue Line to Largo Town Center. In fiscal 2005, the State expects to spend approximately \$29.5 million in special funds on this project. Currently, construction of the extension is about three months behind schedule, and the target opening date has slipped to March 2005.

The fiscal 2004 working appropriation for this project increased by \$73 million over the legislative appropriation because it was necessary for MDOT to advance funds to WMATA to cover shortfalls in funding for the Addison Road Metro extension project due to the timing of federal aid disbursements. This advance raised the State's total fiscal 2004 payment for the project to \$101.2 million. As illustrated in **Exhibit 3**, the entire amount of money advanced by MDOT to WMATA is expected to be re-paid in fiscal 2004 and 2005.

Exhibit 3
Flow of State Funds to the Addison Road Project in Fiscal 2004
(\$ in Thousands)

<u>Item</u>	<u>Amount</u>
Fiscal 2004 Legislative Appropriation for Addison Road Construction Project	\$28,228
Required Advance (Amount of Amendment)	\$73,000
Total State Funds Required by WMATA in Fiscal 2004	\$101,288
WMATA Repayment – May 2004	\$52,900
State Fund Expenditure in Fiscal 2004	\$48,328
WMATA Repayment – Fiscal 2005	\$20,100
Total Expenditure of State Funds for Fiscal 2004	\$28,228

Source: Maryland Department of Transportation

At this time, total State expenditures on the Addison Road extension are not expected to increase above the \$173.6 million (40% of total project costs) that the State committed to pay when this project was initiated.

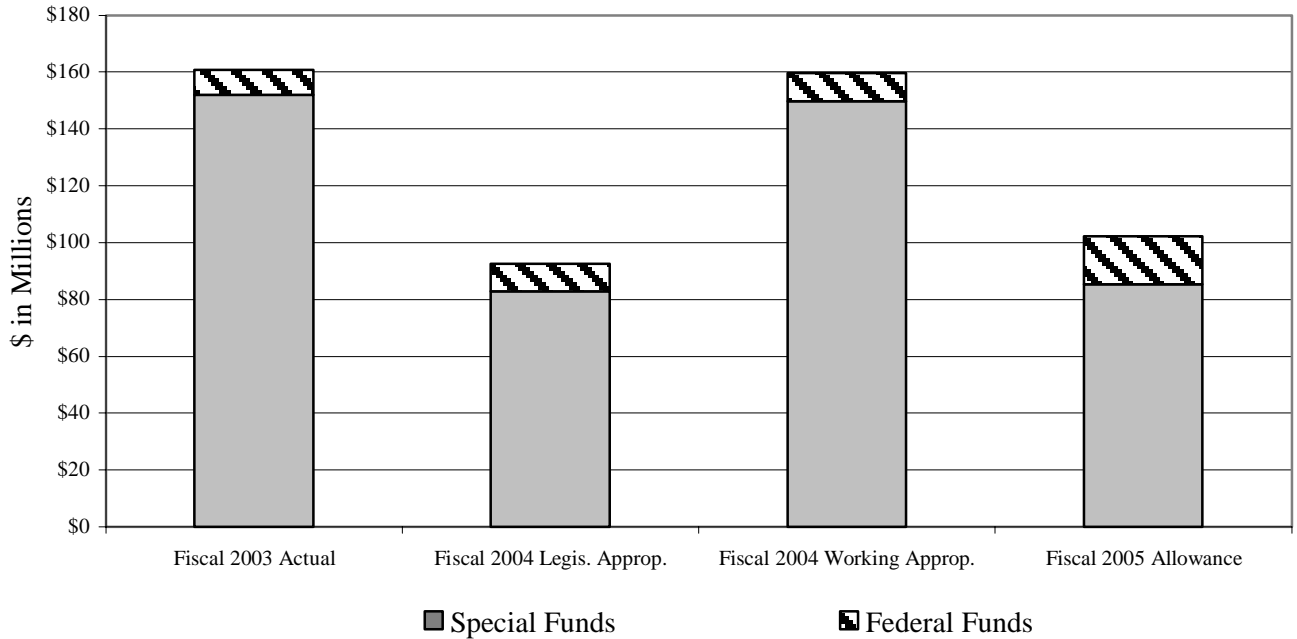
Fiscal 2004 and 2005 Cash Flow Analysis

Exhibit 4 illustrates the cash flow changes in WMATA's capital program from fiscal 2003 to 2005.

The fiscal 2004 working appropriation increased by a net total \$67 million; the increase resulting from the advance provided by the State to WMATA for construction of the Addison Road Metro extension was partially offset by cash flow reductions in other capital projects.

The fiscal 2005 allowance decreases by \$57.4 million (36%) below the fiscal 2004 working appropriation. This decrease reflects the return to the normal spending pattern (following the advance made in fiscal 2004) as well as cash flow changes in ongoing projects.

Exhibit 4
Fiscal 2003 to 2005 Project Cash Flow Changes
(\$ in Thousands)



Source: Maryland Department of Transportation, 2004 *Consolidated Transportation Program*

Issues

1. WMATA Considers Additional Fare Increases

Fare increases that took effect at the beginning of fiscal 2004 raised base Metrobus and Metrorail rates as well as some parking rates. WMATA is again proposing that fares be increased to meet its ongoing budget shortfalls. Proposals for increasing the fares are detailed in **Exhibit 5**.

Exhibit 5 Proposed Increases in WMATA's Fare Structure

<u>Fare Category</u>	<u>Maximum Fare</u>
Metrorail	
Increase peak period boarding charge of \$1.20 by up to \$0.15	\$1.35
Increase 1st Tier of peak period mileage charges of \$0.21 by up to \$0.01	\$0.22
Increase 2nd Tier of peak period mileage charges of \$0.185 by up to \$0.03	\$0.215
Increase the maximum peak period fare of \$3.60 by up to \$0.45	\$4.05
Increase off-peak fares of \$1.20, \$1.70 and \$2.20 by up to \$0.15	\$1.35, \$1.85, and \$2.35
Metrobus	
Increase the boarding charge of \$1.20 by up to \$0.15	\$1.35
Increase the boarding charge on express bus from \$2.50 by up to \$0.50	\$3.00
Increase the \$0.85 discount on bus-to-rail transfers by up to \$0.15	\$1.00
<i>* Retain free bus-to-bus transfers.</i>	
MetroAccess	
Increase MetroAccess fares from \$2.40 by up to \$0.30, which is double the bus boarding charge	\$2.70
<i>* Provide free transit service on Metrobus and Metrorail to all MetroAccess-eligible customers.</i>	
Parking	
Increase the daily parking base fee by up to \$1.00	\$2.75 to \$4.25
Increase the monthly charge for guaranteed parking from \$35.00 by up to \$10.00	\$45.00
<i>* Offer a discount of up to \$1.00 on the daily parking base fee to customers paying with the SmarTrip card. The discount will not exceed the approved increase in the daily parking base fee.</i>	
<i>* Institute an additional fee of up to \$0.30 per day, with revenue dedicated to improving access to the Metrorail system.</i>	
Elderly and Handicapped Fares	
<i>* Retain elderly and handicapped fares on Metrobus and Metrorail at one-half the peak period fare all day, with a max fare on Metrorail not to exceed one-half the max fare.</i>	
Other Fares and Rates	
<i>* Increase pass prices in proportion to increases in the Metrorail and Metrobus boarding charge.</i>	

Source: Washington Metropolitan Area Transit Authority

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WMATA will conduct a series of public hearings on the proposed fare increases and then select specific increases that will generate sufficient revenue to meet its budget deficit.

DLS recommends that MDOT and WMATA discuss with the budget committees current proposals for increasing WMATA fares. MDOT and WMATA should also discuss the potential impact that these increases will have on ridership. In addition, MDOT and WMATA should discuss whether WMATA is experiencing a structural budget deficit that is likely to require annual fare increases.

2. Four WMATA Bus Routes and a Shuttle Service Eliminated

MDOT was required by committee narrative in the 2003 *Joint Chairman's Report* (JCR) to identify all bus routes operated by the Maryland Transit Administration (MTA) and by WMATA that were achieving less than a 15% cost recovery rate and to propose measures that would raise the farebox recovery rates of these routes to at least 20% after one year of operation. In calendar 2003 there were 62 Metrobus routes serving the State. Among these routes, MDOT identified 13 that were not achieving 15% cost recovery rates plus one additional line that was achieving a 20% farebox recovery rate but that was failing on other of WMATA's own service performance measures.

As a cost saving measure, Maryland requested that WMATA eliminate five of the under-performing bus routes. Two of the bus routes whose elimination was requested were regional services (services whose operating costs are shared by the jurisdictions in which the route operates), while three were reimbursable routes (routes for which the State is responsible for reimbursing WMATA for operating costs that are recovered through farebox receipts). Maryland also requested elimination of one additional bus route that was a reimbursable route but was serving passengers drawn primarily from the District of Columbia (DC) and Virginia.

As required by its own regulations, WMATA held three public hearings in October and November (in Bethesda and Oxon Hill, Maryland, and in Alexandria, Virginia) to give the public an opportunity to comment on the proposed service changes to the two regional routes. On November 20, WMATA's Board of Directors voted to approve Maryland's proposed service eliminations with one modification; as a result, five bus routes ceased operations on December 28, 2003.

Maryland proposed that the following six routes be eliminated:

- **14A, 14B, 14C, and 14D (Regional Routes)** – These routes ran from Lakeforest Mall in Gaithersburg to a transit station near Tysons Corner Mall in Virginia. This service, also known as the "Smart Mover", was implemented in September 1998 to provide an alternative to driving between the I-270 and I-495 corridors. The routes were promoted through a low introductory fare, the use of specially marked buses with high-backed seating, and the use of Beltway shoulders in Maryland; however, cost recovery remained at 5%. WMATA approved the elimination of the routes.

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- **B11 (Reimbursable Route)** – The B11 route ran from Medical Center Metro in Bethesda to Rosslyn Metro in Rosslyn, Virginia. The service was initiated in April 2002 as an experimental route intended to serve commuters who traveled on Wisconsin Avenue from DC or Virginia to jobs in Bethesda. While this route was achieving a 22% farebox recovery rate, it was diverting riders from existing routes and was serving primarily commuters making intro-DC trips. As Maryland was nonetheless responsible for funding the operation of this route, MDOT proposed that it be converted to a regional route or eliminated; WMATA's Board voted to eliminate the route.
- **C18 (Reimbursable Route)** – The C18 route ran from Waldorf to the Branch Avenue Metro station near Suitland. The route was created in January 2002 to serve off-peak, evening, and weekend commuters in this corridor. While peak-hour demand for service in this corridor is growing, off-peak demand remained flat and the cost recovery rate of this service remained at 5%; WMATA voted to eliminate this route. At the request of Charles County Commissioners, the MTA is looking to convert this route to a peak-hour service provided by the MTA commuter bus system.
- **G1 (Reimbursable Route)** – The G1 route was a free shuttle service that ran through the parking lot at the Greenbelt Metro Station. The parking lot at Greenbelt is an expansive lot that stretches one-quarter of a mile from the station entrance at its furthest point. When it opened, the lot was underutilized and the shuttle service was initiated as a way of encouraging commuters to use the parking lot. The lot is now at full capacity, and WMATA agreed to eliminate this shuttle service.
- **N7 (Reimbursable Route)** – The N7 route ran from the Westfield Shopping Town Montgomery in Bethesda to the Federal Triangle Metro in DC. This route pre-dated the opening of the Red Line to Shady Grove; when the Red Line opened, the ridership of the N7 bus route declined precipitously. WMATA voted to eliminate the route in December 2002; however, riders on the route fought to save it and vowed to market the service through flyers and a website. MDOT agreed to pay for a temporary continuation of the route to give riders the opportunity to increase support for it. Ridership has, however, remained relatively flat at 100 riders in the morning and 50 riders in the evening, and though the service was achieving a 21% farebox recovery rate, operation of the route was requiring a subsidy of \$5.45 per passenger trip. WMATA voted to eliminate this route.
- **N11, N13 (Regional Routes)** – These routes, which link the Branch Avenue Metro to the King Street Metro in Alexandria, Virginia, were established in January 2001 to provide a transit alternative to the need to drive over the Woodrow Wilson Bridge; ridership has remained low and the farebox recovery rate is approximately 7%. The City of Alexandria opposed the elimination of this route at this time, however, because the city wants to determine if the relocation of the U.S. Patent and Trademark Office to Alexandria from Crystal City will increase demand for this service. WAMTA agreed to continue the service until June 2004 and then re-evaluate ridership at that time.

DLS recommends that MDOT discuss with the budget committees what action, if any, will be taken to improve the service performance of the nine additional under-performing routes identified in the JCR report or to eliminate these services.

3. Metro “Stands on the Precipice of a Fiscal and Service Crisis”

In 2001, the General Accounting Office released a study of the Metro system that identified specific capital investments that needed to be made in the system both to preserve the existing infrastructure and to expand the system’s capacity to accommodate increased ridership. Following the release of that study, WMATA’s Board of Directors adopted a 10-Year *Capital Improvement Plan* (CIP) that included capital projects estimated to cost a combined total of \$12.2 billion. In light of ongoing budget constraints at WMATA and in the three jurisdictions that participate in the system, WMATA subsequently scaled back its CIP to include only those projects considered to be the most urgent priorities. **Exhibit 6** shows that these infrastructure renewal projects, security enhancement projects, and rolling stock purchases are estimated to cost a combined total of approximately \$1.5 billion.

Exhibit 6
WMATA’s Six-year Unfunded Priority Capital Program

<u>Types of Projects</u>	<u>Estimated 6-year Cost (\$ in Millions)</u>
Rolling Stock Purchases , including purchase of 120 new railcars (to be used to create 8-car trains that will relieve system overcrowding) and installation of related system upgrades, and purchase of 185 buses and installation of related bus facility upgrades.	\$796
Infrastructure Renewal Projects , including projects to repair leaks in the tunnel system, and rehabilitate escalators, passenger facilities, track, and power cables.	516
Security Enhancements , including improvement of Metro’s ability to respond to and recover from regional emergencies and installation of critical infrastructure protection systems.	150
Total Cost of Priority Projects	\$1,462

Source: Washington Metropolitan Area Transit Authority

The \$516 million in funding for infrastructure renewal projects shown in Exhibit 6 includes funding needed for projects that were previously included in the IRP but that had to be deferred when the total amount of funding that Virginia was able to provide to the IRP was reduced (following the rejection of the transportation funding referendum in Virginia).

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Given its pressing need for capital funding, WMATA is currently urging Congress to include funding for its capital program in the new transportation reauthorization. Even if it is secured, however, a federal appropriation for WMATA's capital program is unlikely to cover all the costs of those projects WMATA has identified as its most critical needs; WMATA is, therefore, likely to require additional capital funding from the participating jurisdictions over and above the capital grants currently provided by the jurisdictions. **Exhibit 7** lays out the level of grants that might be required from the participating jurisdictions under various federal funding scenarios.

Exhibit 7
Amount of Additional Capital Funding to Be Required from Maryland, Virginia,
and the District of Columbia for WMATA's Urgent Capital Program
(\$ in Millions)

<u>Participating Jurisdiction</u>	<u>0% Federal Contribution</u>	<u>50% Federal Contribution</u>	<u>62.5% Federal Contribution</u>
Maryland	\$538	\$269	\$202
Virginia	385	192	144
District of Columbia	539	270	202
Federal Government	0	731	914
Total Capital Program	\$1,462	\$1,462	\$1,462

Source: Washington Metropolitan Area Transit Authority

Given that Virginia has been unable to meet the previous IRP funding levels requested by WMATA and that all three participating jurisdictions are experiencing budget challenges, it is unclear how much money the participating jurisdictions will be able to provide to WMATA for these capital projects even if a high level of federal funding is secured. DLS, therefore, recommends that MDOT/WMATA discuss with the budget committees the status of efforts to secure federal funding for WMATA's capital program, as well as what level of additional funding might be required from MDOT. WMATA should also discuss the impact that continued deferment in infrastructure renewal maintenance will have on the functioning of the WMATA system.

Operating Budget Recommended Actions

1. Concur with Governor's allowance.

Capital Budget Recommended Actions

1. Concur with Governor's allowance.

Updates

1. Performance Measures for Transit Systems in Montgomery and Prince George's Counties

As required by Section 10-207 of the Transportation Article, the State provides annual operating subsidies to Montgomery and Prince George's counties for eligible local bus services operated by these counties. The grants given to Montgomery and Prince George's counties are issued through the budget of the MTA (as part of the Locally Operated Transit System program); however, they are being discussed in this analysis because they function as adjuncts of the WMATA system itself.

Chapters 210/211, Acts of 2000 required MDOT to provide annual reports on performance indicators that track service efficiency in the Montgomery County "Ride-On" Bus service and the Prince George's County "the Bus" service. Ridership data is presented in **Exhibit 8**.

Exhibit 8
Annual Ridership
"Ride-On" Bus Service and "the Bus" Service
Fiscal 2000 through 2005
(In Thousands)

<u>Service</u>	<u>FY 00</u> <u>Actual</u>	<u>FY 01</u> <u>Actual</u>	<u>FY 02</u> <u>Actual</u>	<u>FY 03</u> <u>Actual</u>	<u>FY 04</u> <u>Estimated</u>	<u>FY 05</u> <u>Estimated</u>	<u>Average</u> <u>Annual %</u> <u>Change</u>
Montgomery County – "Ride-On" Bus Service	20,568	21,100	22,100	23,500	23,740	23,977	3.1%
Prince George's County – "the Bus" Service	1,346	1,572	1,995	2,100	2,300	2,323	11.5%

Source: Maryland Department of Transportation

A calendar 2002 survey conducted by WMATA revealed that approximately 19% of Montgomery County residents and 18% of Prince George's County residents riding Metrorail arrived at Metro stations by Metrobus or Ride-On during the morning peak hours.

Exhibit 9 presents a comparison of the Montgomery County "Ride-On" service to its "peer" services (chosen on the basis of mix of services, size of property, and fleet size).

Exhibit 9
**Comparison of Montgomery County’s “Ride-On” Bus Service to
 Similar Transit Systems Nationwide**

	Operating Expenses per Vehicle Mile		Operating Expenses per Passenger Trip		Passenger Trips per Vehicle Mile	
	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>
Montgomery County “Ride-On” Bus	\$5.61	\$6.20	\$2.43	\$2.67	2.3	2.3
Fort Worth, TX	\$5.52	\$6.04	\$3.86	\$4.55	1.4	1.3
Suburban Chicago, IL	\$5.00	\$4.99	\$2.96	\$3.21	1.7	1.6
Suburban Detroit, MI	\$5.70	\$5.78	\$5.71	\$6.21	1.0	0.9
Long Island, NY	\$8.02	\$8.37	\$2.60	\$2.71	3.1	3.1
Fort Lauderdale, FL	\$4.87	\$4.62	\$1.96	\$2.07	2.4	2.2

Source: National Transit Database

These statistics indicate that when compared to five peer systems, in fiscal 2002 (the most recent year for which comparable statistics are available), Montgomery County’s “Ride-On” Bus service ranked:

- **fifth in cost efficiency of service** (measured as operating costs per vehicle mile) – which was a reduction from its third place ranking on this measure in fiscal 2001 – after its operating costs per vehicle mile increased by 59¢ from fiscal 2001 to 2002, which was the largest increase among all six systems compared in this analysis;
- **second in cost effectiveness of service** (measured as operating costs per passenger trip) – which was unchanged from its ranking in fiscal 2001 – and its costs per passenger trip increased by 24¢ from fiscal 2001 to 2002; and
- **second in number of passengers per vehicle trip**, which was an improvement over its third place ranking in fiscal 2001 although the actual number of passengers per vehicle trip was unchanged.

Exhibit 10 presents a comparison of the Prince George’s County “the Bus” service to its “peer” services (chosen on the basis of mix of services, size of property, and fleet size).

Exhibit 10
Comparison of Prince George’s County’s “the Bus” Service to
Similar Transit Systems Nationwide

	Operating Expenses per Vehicle Mile		Operating Expenses per Passenger Trip		Passenger Trips per Vehicle Mile	
	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>
Prince George’s County “the Bus” Service	\$3.56	\$3.92	\$2.85	\$3.14	1.3	1.2
Fairfax County, VA	\$3.79	\$3.83	\$1.93	\$3.27	2.0	1.2
Champaign-Urbana, IL	\$5.02	\$5.17	\$1.25	\$1.48	4.0	3.5
North San Diego, CA	\$4.33	\$4.60	\$3.26	\$3.48	1.3	1.3
Contra Costa, CA	\$5.37	\$5.75	\$4.27	\$4.21	1.3	1.4
Cobb County, GA	\$3.57	\$3.76	\$2.54	\$2.68	1.4	1.4

Source: National Transit Database

These statistics indicate that when compared to five peer systems, in fiscal 2002 (the most recent year for which comparable statistics are available), Prince George’s County “the Bus” service ranked:

- **third in cost efficiency of service** (measured as operating costs per vehicle mile) – which was a decrease from its first place ranking in fiscal 2001 – after an increase of 36¢ in costs per vehicle mile, which was the second steepest increase among the six services compared in this analysis;
- **third in cost effectiveness of service** (measured as operating costs per passenger trip) – which was an improvement over its fourth place ranking in fiscal 2001 – after an increase of 29¢ in costs per passenger trip, which was the second steepest increase among the six services compared in this analysis; and
- **tied with Fairfax, Virginia, for the lowest number of passengers per vehicle mile** after experiencing a reduction of .1 passengers per vehicle mile between fiscal 2001 and 2002.

Operating and Capital Budgets

The operating grants provided to Montgomery and Prince George’s counties are calculated in the following manner for each county: All WMATA bus and rail costs in each county are summed and then the costs of local bus services in each county are added to that total; if the sum total of the farebox revenues obtained by both the WMATA services and the local bus service in each county

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constitute a combined farebox recovery rate of at least 40% of the combined costs of the WMATA and local bus service in the county, the county receives a local bus grant based on combined costs minus revenue.

The bus grant to each county is set at 100% of the service deficit (costs less revenues) of the county's bus service; however, the combined total of the grants issued to both counties may not exceed the level of the grants issued in the prior fiscal year (without the Secretary's prior approval) plus an adjustment for inflation by the projected consumer price index for the fiscal year in which the grant is to be awarded.

The State also provides a capital budget grant to both Montgomery and Prince George's counties and a grant to Prince George's County for the small supplemental paratransit service that it maintains. Montgomery County operated a small paratransit service until 2000. Both counties now rely predominantly on WMATA's MetroAccess service for paratransit services; as a result, riders from Maryland comprise 60% of the ridership of the MetroAccess service.

Exhibit 11 shows the total subsidies provided by the State to Montgomery and Prince George's counties for their local bus services from fiscal 2001 through the fiscal 2005 allowance.

Exhibit 11
Operating Subsidies for the Montgomery and Prince George's Bus Systems
Fiscal 2001 - 2005
(\$ in Millions)

	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	FY01 – 05
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Working</u>	<u>Allow.</u>	<u>Annual %</u>
						<u>Change</u>
<u>Montgomery County “Ride On”</u>						
Farebox Recovery Rate	20.8%	17.9%	15.7%	16.4%	N/A	
State Operating Subsidy	\$17.3	\$19.9	\$21.3	\$22.1	\$22.1	-6%
% of Operating Budget Comprised by State Subsidy	44%	44%	42%	43%	N/A	
State Capital Subsidy	\$3.5	\$1.9	\$6.1	\$3.9	\$4.2	5%
<u>Prince George's County “the Bus”</u>						
Farebox Recovery Rate	11.5%	12.5%	10.6%	11.7%	N/A	
State Operating Subsidy	\$4.3	\$6.1	\$6.7	\$7.0	\$7.0	13%
% of Operating Budget Comprised by State Subsidy	98%	82%	80%	80%	N/A	
Capital Subsidy	2.3	4.8	1.1	0.6	0.6	-29%
Paratransit Subsidy	0.2	0.6	0.9	0.5	0.5	-26%

Source: Maryland Department of Transportation

Current and Prior Year Budgets

**Current and Prior Year Budgets
Washington Metropolitan Area Transit Authority
(\$ in Thousands)**

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2003					
Legislative Appropriation	\$0	\$129,665	\$0	\$0	\$129,665
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	-635	0	0	-635
Cost Containment	0	0	0	0	0
Reversions and Cancellations	0	0	0	0	0
Actual Expenditures	\$0	\$129,030	\$0	\$0	\$129,030
Fiscal 2004					
Legislative Appropriation	\$0	\$142,915	\$0	\$0	\$142,915
Cost Containment	0	0	0	0	0
Budget Amendments	0	3,500	0	0	3,500
Working Appropriation	\$0	\$146,415	\$0	\$0	\$146,415

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

**Object/Fund Difference Report
Washington Metropolitan Area Transit Authority**

<u>Object/Fund</u>	<u>FY03 Actual</u>	<u>FY04 Working Appropriation</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 Amount Change</u>	<u>Percent Change</u>
Objects					
12 Grants, Subsidies, Contr.	\$ 129,030,000	\$ 146,415,000	\$ 149,998,000	\$ 3,583,000	2.4%
Total Objects	\$ 129,030,000	\$ 146,415,000	\$ 149,998,000	\$ 3,583,000	2.4%
Funds					
03 Special Fund	\$ 129,030,000	\$ 146,415,000	\$ 149,998,000	\$ 3,583,000	2.4%
Total Funds	\$ 129,030,000	\$ 146,415,000	\$ 149,998,000	\$ 3,583,000	2.4%

Note: The fiscal 2004 appropriation does not include deficiencies and the fiscal 2005 allowance does not reflect contingent reductions.

**Fiscal Summary
Washington Metropolitan Area Transit Authority**

<u>Unit/Program</u>	<u>FY03 Actual</u>	<u>FY04 Legislative Appropriation</u>	<u>FY04 Working Appropriation</u>	<u>FY03 - FY04 % Change</u>	<u>FY05 Allowance</u>	<u>FY04 - FY05 % Change</u>
04 Washington Metropolitan Area Transit-Operating	\$ 129,030,000	\$ 142,915,000	\$ 146,415,000	13.5%	\$ 149,998,000	2.4%
Total Expenditures	\$ 129,030,000	\$ 142,915,000	\$ 146,415,000	13.5%	\$ 149,998,000	2.4%
Special Fund	\$ 129,030,000	\$ 142,915,000	\$ 146,415,000	13.5%	\$ 149,998,000	2.4%
Total Appropriations	\$ 129,030,000	\$ 142,915,000	\$ 146,415,000	13.5%	\$ 149,998,000	2.4%

Note: The fiscal 2004 appropriation does not include deficiencies and the fiscal 2005 allowance does not reflect contingent reductions.

Budget Amendments for Fiscal 2004

**Maryland Department of Transportation
Washington Metropolitan Area Transit Authority**

Operating

<u>Status</u>	<u>Amount</u>	<u>Fund</u>	<u>Justification</u>
Pending	\$3,500,000	SF Operating	Provide funding for the WMATA operating program to match WMATA's budget. Originally, a shortfall of approximately \$6.6 million was expected in the fiscal 2004 subsidy; however, over the course of the fiscal year, cost containment and other actions reduced the shortfall to \$3.5 million.

Capital

Approved	\$73,000,000	SF Capital	Advanced money to WMATA to cover shortfalls in funding for the Addison Road Metro extension project due to the timing of federal aid disbursements. The entire amount of money advanced by MDOT to WMATA is expected to be repaid in fiscal 2004 and 2005.
Pending	-\$6,058,000 \$64,000	SF Capital FF Capital	Adjust the amended appropriation to reflect expenditures for the current year as shown in the final 2004 CTP.

Source: Maryland Department of Transportation