

J00A0104
Washington Metropolitan Area Transit Authority
Maryland Department of Transportation

Operating Budget Data

(\$ in Thousands)

	<u>FY 09</u> <u>Actual</u>	<u>FY 10</u> <u>Working</u>	<u>FY 11</u> <u>Allowance</u>	<u>FY 10-11</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$210,394	\$215,776	\$224,450	\$8,674	4.0%
Adjusted Special Fund	\$210,394	\$215,776	\$224,450	\$8,674	4.0%
Adjusted Grand Total	\$210,394	\$215,776	\$224,450	\$8,674	4.0%

Note: For purposes of illustration, the Department of Legislative Services has estimated the distribution of selected across-the-board reductions. The actual allocations are to be developed by the Administration.

- The fiscal 2011 allowance for the operating budget subsidy payment to the Washington Metropolitan Area Transit Authority (WMATA) increases \$8.7 million, or 4%, compared to the fiscal 2010 working appropriation. The increase in the allowance is due to WMATA's operating budget growing faster than fare revenues increasing the local subsidy payment.
- The board for WMATA has not completed its deliberations on its proposed fiscal 2011 budget; however, WMATA's budget documents show that Maryland's share of WMATA's operating subsidy would be \$220.7 million, less than the current allowance.
- While the WMATA budget documents show that the required Maryland subsidy is less than the fiscal 2011 allowance, the budget documents show an additional local subsidy payment that is not reflected in the subsidy calculation, as shown by WMATA. As a result, an additional \$15.6 million could be required from Maryland in fiscal 2011.

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

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PAYGO Capital Budget Data

(\$ in Thousands)

	Fiscal 2009	Fiscal 2010		Fiscal 2011
	<u>Actual</u>	<u>Legislative</u>	<u>Working</u>	<u>Allowance</u>
Special	\$58,515	\$55,641	\$35,641	\$102,041
Federal	\$16,400	\$16,400	\$16,400	\$0
Total	\$74,915	\$72,041	\$52,041	\$102,041

- The fiscal 2010 working appropriation decreases \$20 million in special funds due to reductions made as part of the March 2009 reduction to the capital budget, with the funding moved into fiscal 2012.
- The fiscal 2011 allowance increases by \$50 million, with the beginning of the local match for additional federal funds beginning in fiscal 2011.

Analysis in Brief

Major Trends

No Updated Performance Data: WMATA did not submit fiscal 2011 performance data and information for fiscal 2009 and 2010 has not been updated. **The Department of Legislative Services (DLS) recommends that WMATA and the Maryland Department of Transportation (MDOT) discuss with the committees what can be done to provide annual performance data for the budget committees to consider during its budget deliberations.**

Issues

WMATA Capital Needs: WMATA's capital budget had previously been funded through a multi-year funding agreement called Metro Matters. The Metro Matters agreement is to expire at the end of fiscal 2010 with the expectation that a new agreement will be signed. WMATA has identified over \$11 billion of capital needs because the system is aging; however, it is not clear what the funding level of the next Metro Matters agreement will be. The needs of the system will need to be weighed against the funding constraints confronting the compact jurisdictions. **DLS recommends that WMATA and MDOT discuss the process for determining funding levels in the next Metro Matters agreement. In addition, WMATA and MDOT should discuss what impact the constraints on local budgets will have on determining the next Metro Matters agreement.**

Red Line Accident and Safety at WMATA: On June 22, 2009, two trains collided on the Red Line near the Fort Totten station in Washington, DC resulting in 9 fatalities and 52 injuries. The Red Line accident and other incidents have highlighted the capital needs of the system as well as the need to change the culture of WMATA regarding safety. As a result of the accident and safety incidents, the federal government has proposed federal legislation for rail safety. **DLS recommends that WMATA discuss with the committees what steps were taken to keep the public safe and what impact the proposed federal legislation would have on its operations.**

WMATA Budget Timeline Impairs Budget Deliberations: WMATA's budget timeline prevents the legislature from having complete information necessary about WMATA's budget or performance when making decisions. **DLS recommends that WMATA and MDOT discuss what steps can be taken to provide the General Assembly a clearer picture of what WMATA's budget and the required subsidy will in the upcoming fiscal year.**

Operating Budget Recommended Actions

1. Adopt committee narrative regarding the outcome of the fiscal 2011 budget.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

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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 fifth largest bus network in the United States. WMATA was created in 1967 by an interstate compact in which Maryland, Washington, DC, and Virginia participate. Each signatory jurisdiction provides 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 26 stations in Maryland.

Maryland provides an annual operating grant to the Washington Suburban Transit Commission (WSTC) through the Maryland Department of Transportation (MDOT) Secretary's Office budget. WSTC provides 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 by contributing toward the social, economic, and environmental well-being of our community.

Performance Analysis: Managing for Results

WMATA did not submit fiscal 2011 performance data or updated information for fiscal 2009 and 2010. Since its budget has not been finalized, WMATA was unable to provide estimates for ridership, and expenditures and updates are not expected until spring 2010. As discussed later, the WMATA budget process makes it difficult for the General Assembly to have budget and performance data about WMATA during budget deliberations. **The Department of Legislative Services (DLS) recommends that WMATA and MDOT discuss with the committees what can be done to provide updated annual performance data for the budget committees to consider during future budget deliberations.**

Fiscal 2010 Budget Actions

In developing its fiscal 2010 operating budget, WMATA identified a funding shortfall of \$154 million due to projected increases in personnel, energy and utility, and MetroAccess

expenditures. To solve the budget shortfall, WMATA relied on a number of actions including the following:

- \$109.0 million in operating reductions including the reduction of 313 positions and other personnel reductions, reducing energy cost projections, consultant services, travel, and other administrative expenses;
- \$13.0 million transfer from an operating budget reserve;
- \$12.0 million increase in the local subsidy. In fiscal 2010, Maryland's share was \$0.6 million greater than originally budgeted;
- \$10.0 million transfer of federal funds to the operating budget for preventive maintenance expenditures;
- \$7.0 million in revenue due to increased MetroBus passenger revenue and other revenue sources; and
- \$3.0 million in savings from service reductions to MetroBus, as well as rate increase for some routes. Specifically, the L7 bus in Montgomery County and the C7 and CP in Montgomery and Prince George's counties were eliminated. In addition, riders of the J7, J9, and W19 busses had to pay an express rate.

Shortly after fiscal 2010 began, WMATA indicated that there was an additional fiscal 2010 shortfall that eventually totaled \$40 million because passenger revenues were \$22 million below the fiscal 2010 approved budget estimate. To close the budget shortfall in fiscal 2010, WMATA has proposed the following:

- a temporary fare increase (\$9.6 million);
- shifting American Recovery and Reinvestment Act of 2009 funds to preventive maintenance (\$10.0 million);
- administrative reductions (\$8.6 million);
- insurance recovery from the June 22, 2009, Red Line accident (\$6.0 million); and
- using the operating budget reserve fund and other small actions (\$5.8 million).

Proposed Budget

The fiscal 2011 allowance for Maryland's share of the operating deficit increases \$8.7 million, or 4%, due to operating budget growth exceeding passenger revenue growth. At this point, it is not clear if the fiscal 2011 allowance is overbudgeted or insufficient as the board has not approved the budget which may, or may not, require additional local subsidy payments.

Fiscal 2011 WMATA Budget Shortfall

In fiscal 2011, WMATA has estimated a budget deficit of \$189.2 million compared to the fiscal 2010 adopted budget. One of the major issues for WMATA has been that passenger revenue has been significantly less than estimated, due to ridership declines as a result of the recession. Revenue is expected to be \$61.0 million less than the fiscal 2010 approved budget, with passenger revenues declining \$21.0 million and advertising revenues declining \$27.0 million from long-term advertising contracts. Expenditures are estimated to grow \$128.0 million due to increases in Americans with Disabilities Act (ADA) services, cost-of-living adjustments, and increased pension obligation payments due to the downturn in the stock market.

To solve the fiscal 2011 budget shortfall, WMATA staff has proposed a number of cost cutting actions, service reductions, and a fare increase as shown in **Exhibit 1**. Following are some of the highlights:

- 1. Fare Increase:** There would be a fare increase of 25 cents for bus and rail boardings as well as increases for the distance based fare within certain parameters. The fare increase is expected to generate \$89.2 million.
- 2. Service Reductions:** Bus service reductions would focus on poor performing or redundant routes while rail service would reduce the frequency of trains and reductions in the hours of operation during off peak periods.
- 3. ADA Demand Growth:** With board authorization for public hearings, changes would include a fare increase and conditional eligibility.
- 4. Departmental Reductions:** Reductions to overhead staffing and contracted services.
- 5. Additional Subsidy Payments:** An additional \$40 million in local subsidy payments is proposed, which would require additional funding from Virginia, Maryland, and the District of Columbia.

Exhibit 1
Budget Gap Closing Actions
(**\$ in Millions**)

Fare Increase	\$89.2
Bus Service Reductions (net of revenue loss)	18.3
Rail Service Reductions (net of revenue loss)	15.4
Manage ADA Demand Growth	10.0
Department Reductions	16.3
Additional Local Subsidy	40.0
Total	\$189.2

ADA: Americans with Disabilities Act

Source: Washington Metropolitan Area Transit Authority

Fiscal 2011 Revenues and Spending as Presented in WMATA Budget Documents

WMATA's proposed fiscal 2011 operating budget is expected to total \$1,418.3 million.

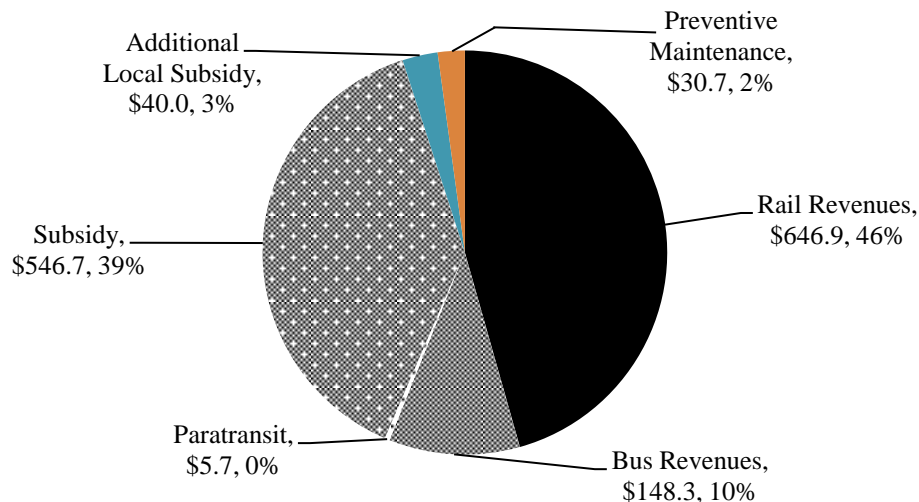
WMATA Fiscal 2011 Revenue Estimates

As **Exhibit 2** shows, 56% of the budget will be paid by the revenues collected for the services rendered, while local subsidy payments account for 42%. Of the total \$546.7 million in local subsidy payments, Maryland's share is \$220.7 million and accounts for 39% percent of the total local subsidy payment.

The local subsidy amount, as presented in the WMATA budget documents, assumes that the local subsidy payment will not increase. However, WMATA's solution to solve the fiscal 2011 budget gap would require an additional \$40.0 million in local subsidy payments. At this time, it is not clear what the required subsidy payment will be and if MDOT's allowance is adequate; however, assuming Maryland's share is equal to its current share of the subsidy, Maryland's share of the \$40.0 million could be \$15.6 million.

If the fiscal 2011 local subsidy is greater than the amount currently budgeted, this will have an impact on the department's financial forecast and further lower the department's net income calculation for debt service. **DLS recommends that WMATA and MDOT discuss what the local subsidy payment will likely be in fiscal 2011 and if the fiscal 2011 allowance is sufficient. DLS also recommends that WMATA discuss why the local subsidy calculations in its budget documents did not account for the additional \$40.0 million in total local subsidy payments that are needed to solve the budget gap of which Maryland's share could be \$15.6 million.**

Exhibit 2
WMATA Proposed Fiscal 2011 Budget Revenues – \$1,418.3 Million
(\$ in Millions)



WMATA: Washington Metropolitan Area Transit Authority

Source: Washington Metropolitan Area Transit Authority

Fare Increase

As part of the last fare increase resolution in December 2007, the board agreed to a policy of biennial fare increases beginning in fiscal 2011. The policy indicated that the fares would increase by the amount of inflation over two years and would be proportional. Using this methodology, fares would increase 6% in fiscal 2011 and would generate a net of \$38.0 million (\$29.5 million in rail, \$5.2 million on bus, and \$3.7 million in parking) after accounting for ridership losses. Given that this revenue is insufficient to close the budget gap, an alternative is being proposed.

The alternative fare increase would generate \$89.2 million, as shown in **Exhibit 3**. Rail fare prices would increase approximately 15% from \$1.65 to \$1.90 for a peak period board charge, with an additional surcharge during the busiest times of 7:30-9:00 a.m. and 4:30-6:00 p.m. Off-peak fares would increase from \$1.35 to \$1.55. In total, the fare increase for Metrorail would generate \$64.2 million in revenue with a loss in ridership of 6.9 million trips.

Metrobus fares would increase from \$1.25 to \$1.50, an increase of 20%. Other changes include a fare increase on Express Buses from \$3.10 to \$3.75, an increase of 21%. In total, the Metrobus fare increase is expected to generate \$23.7 million and a loss of 8.2 million trips.

**Exhibit 3
Proposed Fare Increases**

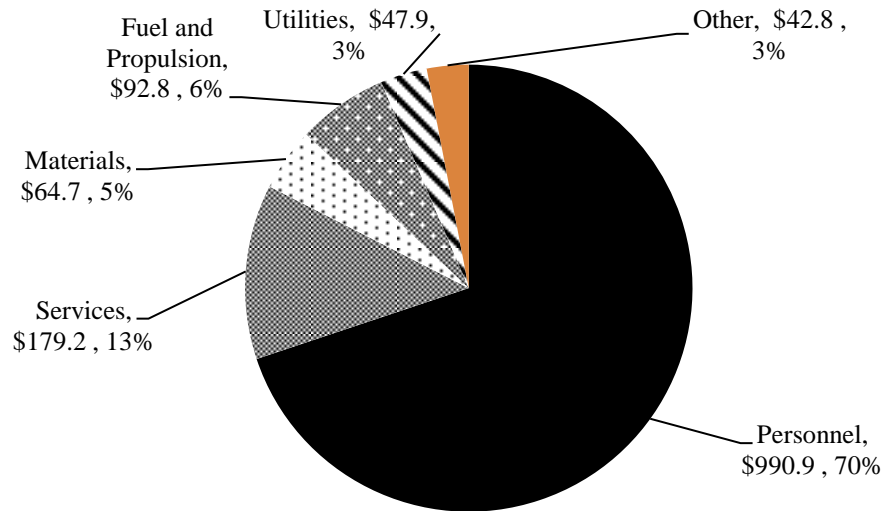
<u>Action</u>	<u>Fares Before Increase</u>	<u>Fares After Increase</u>	<u>Revenue (\$ in Millions)</u>
Metrorail – Peak Fares			
Increase peak period board charge	\$1.65	\$1.90	
Increase 1st tier of peak period mileage charge	\$0.26	\$0.30	
Increase 2nd tier of peak period mileage charge	\$0.23	\$0.27	
Increase the max period fare	\$4.50	\$5.00	
Subtotal			\$42.0
Metrorail – Off-peak Fares			
Boarding Charge	\$1.35	\$1.55	
1st Tier	\$1.85	\$2.10	
2nd Tier	\$2.35	\$2.70	
Other actions			
Subtotal			\$22.2
Total Metrorail			\$64.2
Metrobus			
Increase the boarding charge	\$1.25	\$1.50	\$11.0
Increase the boarding charge on express buses	\$3.10	\$3.75	\$1.5
Increase the bus pass price	\$11.00	\$15.00	\$6.0
Other actions			\$5.2
Total Metrobus			\$23.7
MetroAccess			
Increase the fare	\$2.50	\$3.00	\$1.1
Other			\$0.2
Total			\$89.2

Source: Washington Metropolitan Area Transit Authority

WMATA Fiscal 2011 Budget Expenditures

Exhibit 4 shows the major budget expenditures by category with personnel expenditures accounting for 70% of the budget. In total, the fiscal 2011 budget is estimated to increase \$43.8 million compared to the approved fiscal 2010 budget. This takes into account \$60.0 million in service and administrative reductions.

Exhibit 4
Budget Expenditures – \$1,418.3 Million
(\$ in Millions)



Source: Washington Metropolitan Area Transit Authority

Exhibit 5 highlights the major changes from the fiscal 2010 approved budget to the fiscal 2011 proposed budget. Since the fiscal 2010 budget was approved, additional cost reduction measures have been taken; therefore, a comparison between fiscal 2010 and 2011 spending is not accurate but does provide an indication as to where fiscal 2011 budget growth is occurring.

Exhibit 5
Summary of Major Budget Changes
(\$ in Millions)

Increase in nonunion salaries	\$3.0
Increase in union salaries	3.7
Increase in health insurance	13.4
Increase in pension costs due to downturns in the stock market	20.3
Increase in paratransit contracts	17.0
Decrease in materials and supplies	-9.4
Decrease in diesel fuel	-7.7
Decrease in propulsion power	-8.4
Increase in causality and liability insurance and claims	12.7
Other	-0.8
Total	\$43.8

Source: Washington Metropolitan Area Transit Authority

Fiscal 2011 Operating Budget Issues

The WMATA budget as presented raises several issues.

- **Are the Proposed Fare Increases Too Great and Too Soon?:** To close its budget gap, fare increases account for 47% of the solutions proposed. Most fares would increase approximately 15 to 20%. This would be the third fare increase in three years with fares increased in fiscal 2009 and a fiscal 2010 fare “surcharge” of 10 cents to resolve the fiscal 2010 budget problem.
- **Have Expenditures Been Reduced Enough?:** Expenditure reductions account for \$60 million, or 32%, of the budget solution but most of the reductions are service reductions. Has WMATA sufficiently reduced its administrative and operating budget outside of service related expenditures particularly since most of the increases in the budget are personnel related?
- **What Is the Required Local Subsidy?:** As previously indicated, there is a projected \$40 million payment from the local jurisdictions that is part of the budget solution but not reflected in the local subsidy payments.
- **What Is the Potential Impact On MDOT’s Financial Forecast?:** If Maryland’s share of additional local subsidy payments is about \$15.6 million in fiscal 2011, this additional funding will be added to the base and each subsequent fiscal year. In terms of MDOT’s financial forecast, this would increase operating budget spending in the out-years.

DLS recommends that MDOT discuss its opinion of the fiscal 2011 budget solution that is proposed by WMATA and in particular the issues regarding the fare increase, if spending has been sufficiently reduced, and the local subsidy level. MDOT and WMATA should also discuss what other alternatives are being considered as part of the budget solution and if the final budget is likely to change dramatically compared to the proposed budget.

DLS also recommends that committee narrative be adopted requiring MDOT and WMATA to submit a report which indicates how the fiscal 2011 budget problem was resolved. The report should include information as to whether Maryland is required to increase its payment to WMATA and what effect this will have on the Transportation Trust Fund forecast. If there are service reductions, a list of these reductions shall be provided to the budget committees.

Finally, MDOT should discuss the impact of higher local subsidies in fiscal 2011 and the out-years on the Transportation Trust Fund forecast.

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. The State also pays 100% of Maryland's share of Metrorail construction, maintenance, debt service, and paratransit retrofitting costs.

March 2009 Reductions

Due to declining revenues, the department had to make adjustments to its capital budget in March 2009. MDOT elected to reduce the capital budget subsidy payment by \$20 million in fiscal 2010 and move that funding into fiscal 2012.

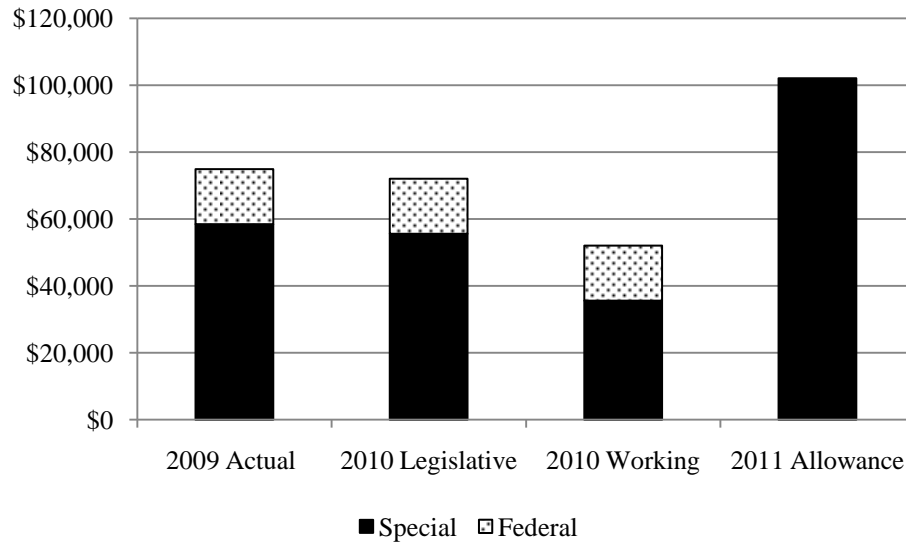
Federal Stimulus Funds

WMATA received \$201.8 million in federal stimulus funding. A majority of the funding was used for maintenance facilities (\$61.5 million) and vehicle and vehicle parts (\$39.6 million). Other major funding categories included system projects for passenger facilities, repair equipment, operation systems, and security projects.

Fiscal 2010 and 2011 Cash Flow Analysis

As shown in **Exhibit 6**, the fiscal 2010 working appropriation decreases \$20 million in special funds due to the reductions made in March 2009. The fiscal 2011 allowance increases \$50 million due to the addition of local matching funds as required in federal legislation.

Exhibit 6
Cash Flow Changes
Fiscal 2009-2011
(\$ in Thousands)



Source: Maryland Department of Transportation, 2010-2015 *Consolidated Transportation Program*

WMATA Capital Budget

Metro Matters

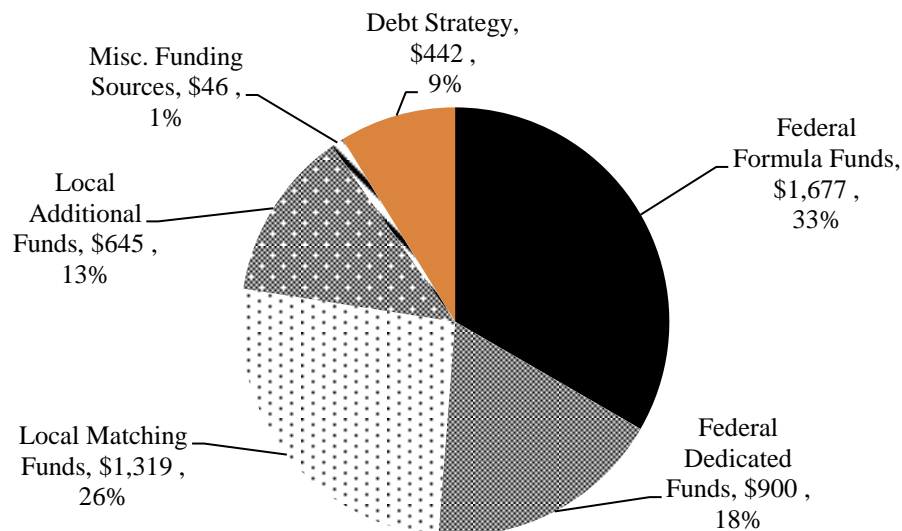
In October 2004, WMATA’s board approved the Metro Matters capital improvement program to provide \$3.3 billion in capital funds from fiscal 2005 through 2010, with funding coming from the local jurisdictions and federal formula funds. This funding is used for infrastructure maintenance to ensure the continued operation of the system. Maryland’s minimum share of the Metro Matters campaign totals \$329.0 million (half of the fiscal 2005 appropriation is included in the Metro Matters agreement). Before the capital reduction made in March 2009, MDOT was still required to pay WMATA \$8.8 million. After the March 2009 reductions, the outstanding payment for Metro Matters totaled \$28.8 million. Maryland is currently working with WMATA to develop a revised payment schedule for Metro Matters based upon WMATA’s cash flow needs. **DLS recommends that WMATA and MDOT discuss when the final Metro Matters payment will be made.**

WMATA’s Fiscal 2011-2016 Capital Plan

WMATA’s fiscal 2011-2016 capital improvement program is expected to total \$5.0 billion, with the revenues to support the capital plan shown in **Exhibit 7**. The assumptions supporting those revenues are as follows:

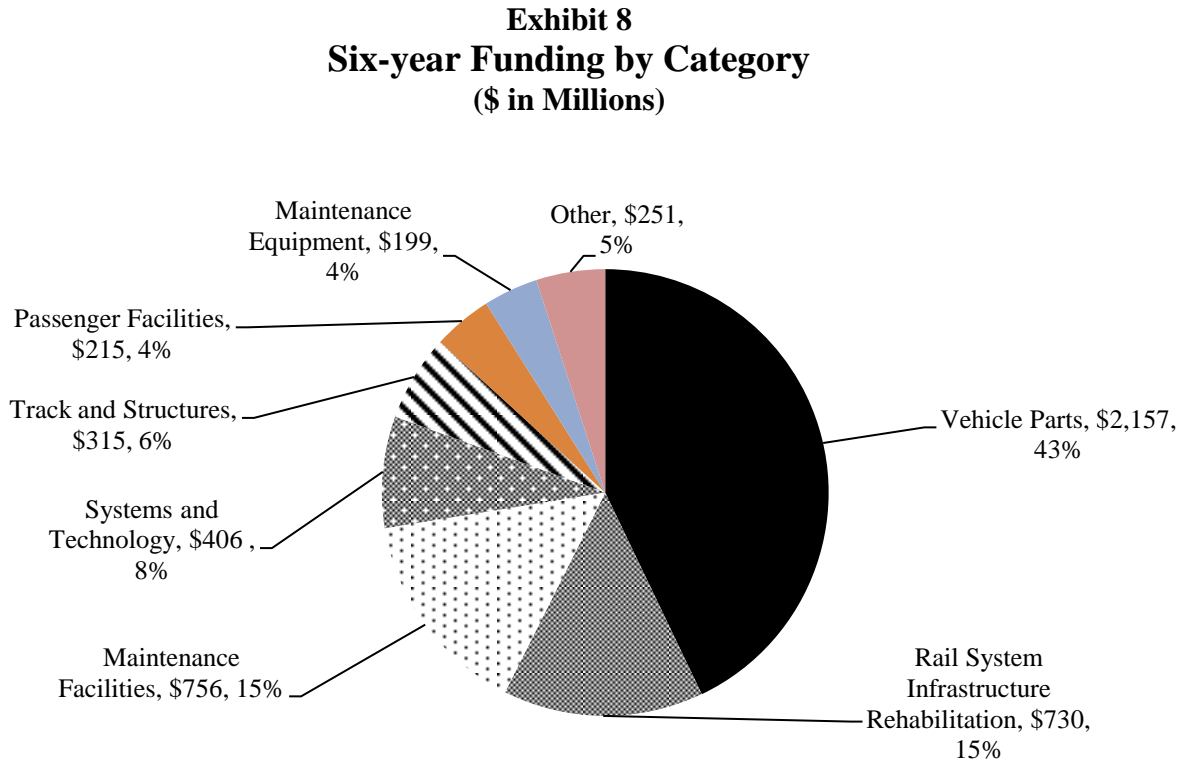
- federal formula grants grow 4 to 5% annually totaling \$1.7 billion;
- federal dedicated fund payments are assumed each fiscal year totaling \$0.9 billion;
- State and local contributions made each fiscal year totaling \$2.0 billion;
- debt issuances totaling \$400 million; and
- other funds total \$46 million.

Exhibit 7
Six-year Funding By Source
(\$ in Millions)



Source: Washington Metropolitan Area Transit Authority

Exhibit 8 shows that of the \$5 billion in funding, approximately 43% funding is to be spent on vehicle parts and 15% on rail system infrastructure rehabilitation.



Source: Washington Metropolitan Area Transit Authority

The fiscal 2011 capital budget for WMATA totals \$718.3 million with an emphasis on “state of good performance” projects as shown in **Exhibit 9**.

Exhibit 9
Fiscal 2011 Capital Plan
(\$ in Millions)

Vehicle/Vehicle Parts – Replacement of rail cars and buses, rehabilitation of rail cars, buses, MetroAccess vehicle, and bus enhancements	\$224.6
Rail System Infrastructure Rehabilitation	134.0
Maintenance Facilities – Rehabilitation of bus garages, maintenance of bus garages, and rail maintenance facilities	125.5
Systems and Technology – Power system upgrades, rail fare equipment, operations support software	76.5
Tracks and Structures – Track rehabilitation	57.7
Passenger Facilities – Elevators and maintenance of rail station facilities	31.8
Maintenance Equipment – Rail maintenance equipment	32.7
Other Facilities	10.8
Program Management and Support	24.7
Total	\$718.3

Source: Washington Metropolitan Area Transit Authority

Capital Funding Issues

In looking at the assumptions used to develop WMATA's capital budget, there are risks. Specifically:

- **Federal Dedicated Funds Need to Be Appropriated Each Fiscal Year:** WMATA has assumed that the federal dedicated funds will be appropriated each fiscal year. The assumed \$150 million annual payment is paid out of the federal general fund. Given the concerns about the federal deficit, it is not clear that this payment will be appropriated. Furthermore, if the federal payment is not made, local jurisdictions are likely to argue that they should not have to provide the local match.
- **Federal Highway Trust Fund Shortfall May Limit Federal Transit Aid:** The federal Highway Trust Fund is experiencing a funding shortfall within the highway account, and the transit account is also expected to experience shortfalls in the near future, absent a revenue increase. It is not clear what future federal aid levels will be given these funding shortfalls; however, to maintain current funding requires an increase in revenues. In addition, the absence of a new federal transportation authorization act makes it difficult to assume what future federal aid will be.
- **Local Funding Levels:** The capital program assumes that local jurisdictions will continue to provide funding for the capital program at or near existing levels. Due to revenue declines and growing budget shortfalls, local jurisdictions may not be able to continue prior levels of funding.

- **Large Debt Issuances in Fiscal 2015 and 2016:** The current capital program assumes \$442 million in debt issuances. These would be tax-exempt transit revenue bonds backed by gross transit revenues. The payment for the debt service could be reflected as an additional subsidy payment for each local jurisdiction. As previously indicated, local jurisdictions may not be in a position to assume this additional funding.

DLS recommends that WMATA and MDOT discuss with the committees the assumptions highlighted above. In particular, MDOT should discuss its comfort level with the six-year capital program as presented and the funding assumptions included. WMATA should discuss what the impact would be if the funding assumptions are not realized.

Issues

1. WMATA Capital Needs

Currently, funding for WMATA's capital program is provided through the Metro Matters agreement. Metro Matters is an agreement between the compact jurisdictions to fund the fiscal 2005 to 2010 *Capital Transportation Program (CTP)* including specific capital improvements. The Metro Matters program totaled \$3.3 billion, with Maryland's share totaling \$329 million over the six years. The Metro Matters agreement calls for an amendment to the agreement for future funding or a new agreement prior to the end of the current program on June 30, 2010.

In preparation of the next agreement, WMATA has identified \$11.4 billion in capital needs from fiscal 2011 to 2020. The list of capital needs includes \$7.6 billion for system preservation and safety projects and \$3.8 billion in what WMATA has defined as the customer/demand/safety category. In addition, the National Transportation Safety Board's (NTSB) investigation into the June 22, 2009 Red Line accident could result in additional capital funding.

Approximately \$3.0 billion in funding has been identified from fiscal 2011 to 2020, as a result of federal legislation that provides \$1.5 billion in federal funding over 10 years with a \$1.5 billion match from the compact jurisdictions. The federal share is subject to annual congressional appropriations. Maryland's share of the matching requirement is \$50 million. The \$3.0 billion in funding can only be used for the system preservation projects and cannot be used to increase the mileage of the system. To date, WMATA has not yet identified projects for the additional funds.

Issue

WMATA has developed a sizable capital needs inventory and the needs of the aging system are increasing. The recent safety issues have brought to the fore the age of the system and the need to replace or renew various aspects of the system to keep passengers safe. However, a discussion regarding what an adequate level of capital funding for WMATA is will need to be weighed against the budget shortfalls in the local jurisdictions and the additional \$3 billion in funding that WMATA recently received. For example, DLS has previously pointed out that MDOT may have difficulty funding the current capital program through fiscal 2015. Any additional funding for WMATA's capital budget beyond what is currently programmed in the CTP will likely have to be found by reducing other projects in the CTP or through a revenue increase.

Another important question is how the funding to WMATA will be distributed. Currently, the funding is provided as a grant to WMATA regardless of the actual spending occurring in a given year. MDOT funds its capital budget based upon the cash flow needs of the project in a given fiscal year in an attempt to maximize the funding in a given fiscal year. Instead of providing WMATA a lump sum of cash that may or may not be required in a given year, MDOT should work to provide WMATA a set amount of funding with the ability to cash flow the funding in a given fiscal year to match the level of WMATA's expenditures. This would provide WMATA the cash it needs while providing MDOT greater flexibility in its capital program. **DLS recommends that WMATA and**

MDOT discuss the next Metro Matters agreement with the budget committees. In addition, WMATA and MDOT should discuss the funding for the capital budget and the constraints on local budgets because of the recession and the potential impact on WMATA's capital budget.

2. Red Line Accident and Safety at WMATA

On June 22, 2009, two trains collided on the Red Line near the Fort Totten station in Washington, DC. The District of Columbia's Fire and Emergency Medical service reported 9 fatalities and transported 52 individuals to local hospitals. NTSB, an independent Federal agency charged with investigating transportation accidents, is currently investigating the cause of the accident. The NTSB issued an interim report indicating that post-accident testing revealed that a track circuit that detects a train's location failed, allowing for a train to run into a second stationary train. Since the automatic train protection system was not working, the moving train did not know to slow down or stop.

The track circuit that malfunctioned was originally installed in the 1970s when the Red Line was constructed. The NTSB did find several technical issues with the track circuits and how track maintenance may impact the circuits performance. As a result, NTSB recommended that WMATA work with the manufacturer to examine the track circuits to fix the technical issues and to develop a system to check that the circuits are properly function.

The Red Line accident also highlighted several other safety concerns. One issue involved the use of 1000 MetroRail cars that NTSB had previously concluded may be susceptible to a collapsing effect if in an accident. WMATA indicated that it could not replace the 1000 MetroRail cars due to the cost associated with replacement. In addition, previous issues with the relay wires for the tracking circuits resulted in the need to replace 20,000 relays.

Since the Red Line accident, four workers have been killed, a subcontractor was electrocuted, and a train was temporarily derailed for passenger safety. These incidents highlight the capital needs of the system; however, perhaps a more pressing issue for safety is one of the culture at WMATA. *The Washington Post* recently published an article in which the Metro Board Chairman discussed the need to change the culture of safety within WMATA; however, this may be difficult to accomplish in the short-term with several WMATA executives retiring or leaving in the coming months.

Federal Regulations for Safety

Partially in response to the accident at WMATA, the United States Department of Transportation (USDOT) has proposed legislation that would provide a more consistent national framework for transit safety oversight. The proposed legislation would do three things:

- USDOT would be required to establish and enforce minimum federal safety standards for rail systems not already covered by USDOT, with an option for bus systems;

- a program would be created to provide assistance to transit systems to carry out the safety program; and
- the entity responsible for overseeing a transit system would be financially independent.

DLS recommends that WMATA discuss with the committees what steps are being taken to keep the public safe when it uses WMATA services and how it plans to change the culture regarding safety. In addition, WMATA should discuss the impact of the proposed federal legislation.

3. WMATA Budget Timeline Impairs Budget Deliberations

WMATA's budget timeline prevents the General Assembly from having the full information necessary about the operating subsidy or the performance of the agency during its budget deliberations. The budget difficulties experienced by WMATA in recent years and its governance structure have contributed to the budget plan not being finalized the past two years until after the General Assembly has appropriated funding in the budget. This results in situations where the level appropriated by the legislature is insufficient. For example, there is a budget amendment in fiscal 2010 to increase the subsidy to reflect the actual payment required.

It is expected that the fiscal 2011 budget will not be finalized until June 2010. The problem with this budget timeline is that the appropriation made by the General Assembly may be insufficient. This is particularly true in fiscal 2011 where the WMATA budget assumes an additional \$40 million in local subsidy payments. Due to MDOT's own revenue constraints, it is not clear that the department can afford its share of \$40 million as suggested in the WMATA budget documents or any additional payments would adversely impact the financial forecast.

Another issue, as previously discussed, is that WMATA has not presented update performance information since it has not finalized its budget. **DLS recommends that WMATA and MDOT discuss what steps can be taken to provide the General Assembly a clearer picture of what WMATA's budget and the required subsidy will be in the upcoming fiscal year. In addition, WMATA should endeavor to submit actual and up to date budget information and performance measures each fiscal year for the review of the General Assembly.**

Operating Budget Recommended Actions

1. Adopt the following narrative:

Washington Metropolitan Area Transit Authority Budget Report: Thirty days after the Washington Metropolitan Area Transit Authority’s (WMATA) Board of Directors has adopted a fiscal 2011 budget, WMATA and the Maryland Department of Transportation (MDOT) shall submit a report to the budget committees that explains what actions were taken to resolve the budget deficit identified by WMATA. The report shall include any information on service cuts made in the budget or fare increases and how they will impact riders. Finally, if WMATA increases the local subsidy payment, MDOT should indicate its share of the funding and what impact the funding increase will have on the department’s financial forecast.

Information Request	Authors	Due Date
Budget Report	WMATA MDOT	30 days after budget is finalized

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance.

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 2009					
Legislative Appropriation	\$0	\$213,300	\$0	\$0	\$213,300
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	-1,000	0	0	-1,000
Cost Containment	0	0	0	0	0
Reversions and Cancellations	0	-1,906	0	0	-1,906
Actual Expenditures	\$0	\$210,394	\$0	\$0	\$210,394
Fiscal 2010					
Legislative Appropriation	\$0	\$215,150	\$0	\$0	\$215,150
Cost Containment	0	0	0	0	0
Budget Amendments	0	626	0	0	626
Working Appropriation	\$0	\$215,776	\$0	\$0	\$215,776

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

Fiscal 2009

The actual expenditure for the operating subsidy to WMATA totaled \$210.4 million, or \$2.9 million less than the legislative appropriation. A budget amendment withdrew \$1.0 million in spending for cost containment, and \$1.9 million was cancelled at the end of the year due to WMATA's operating budget being less than originally anticipated due to the timing of the budget submission.

Fiscal 2010

The fiscal 2010 working appropriation increased \$0.6 million to fully fund the operating subsidy for WMATA in fiscal 2010. The WMATA budget was not finalized when the fiscal 2010 appropriation was enacted.

**Fiscal Summary
WMATA – Operating Budget**

<u>Program/Unit</u>	<u>FY09 Actual</u>	<u>FY10 Wrk Approp</u>	<u>FY11 Allowance</u>	<u>Change</u>	<u>FY10 - FY11 % Change</u>
2040 Unknown Title	\$ 210,393,988	\$ 215,776,000	\$ 224,450,000	\$ 8,674,000	4.0%
2050 Unknown Title	74,915,400	52,041,000	102,041,000	50,000,000	96.1%
Total Expenditures	\$ 285,309,388	\$ 267,817,000	\$ 326,491,000	\$ 58,674,000	21.9%
Special Fund	\$ 268,909,388	\$ 251,417,000	\$ 326,491,000	\$ 75,074,000	29.9%
Federal Fund	16,400,000	16,400,000	0	-16,400,000	-100.0%
Total Appropriations	\$ 285,309,388	\$ 267,817,000	\$ 326,491,000	\$ 58,674,000	21.9%

Note: The fiscal 2010 appropriation does not include deficiencies.

Budget Amendments for Fiscal 2010
Maryland Department of Transportation
WMATA – Operating

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Pending	\$626,000	Special	Funds for Maryland’s share of the operating costs for the WMATA system based upon the budget approved by the Board of Directors.

WMATA: Washington Metropolitan Area Transit Authority

Source: Maryland Department of Transportation

Budget Amendments for Fiscal 2010
Maryland Department of Transportation
WMATA – Capital

<u>Status</u>	<u>Amendment</u>	<u>Fund</u>	<u>Justification</u>
Pending	\$20,000,000	Special	Adjusts the appropriation to reflect the CTP.

CTP: *Consolidated Transportation Program*

Source: Maryland Department of Transportation