



COMMONWEALTH of VIRGINIA

Office of the Governor

W. Sheppard Miller III
Secretary of Transportation

February 23, 2023

The Honorable Dave W. Marsden, Chairman
Senate Transportation Committee
Post Office Box 10889
Burke, Virginia 22009

The Honorable Terry L. Austin, Chairman
House Transportation Committee
Post Office Box 400
Buchanan, Virginia 24066

Dear Senator Marsden and Delegate Austin,

Virginia Code § 33.2-3102 requires the Secretary of Transportation to provide a quarterly update on Virginia's efforts to work with its counterparts in Maryland and the District of Columbia, as well as the Northern Virginia Transportation Commission (NVTC) and the federal government, on necessary reforms of the Washington Metropolitan Area Transit Authority (WMATA) to support a viable transit system. As part of these efforts, the Secretary of Transportation is tasked with addressing the issues discussed below, among other areas. This letter serves as the update for the quarter ending December 31, 2022.

Measures Necessary to resolve WMATA's unfunded pension liability and other postemployment benefits

A memo to the WMATA Board in November 2022 reported that the five combined pension plans lost 12.1 percent of their value, or \$620.4 million, in the first two quarters of 2022 but outperformed the Standard & Poor's index. At the conclusion of the prior fiscal year ending June 30, 2022, WMATA's net pension liability stood at approximately \$303 million based on discount rates ranging from 7% to 7.5% across the five pension plans.

Financial and operational improvements necessary to ensure that WMATA's performance is at least as efficient as its closest comparable transit system in the United States

On October 25, the Commonwealth Transportation Board certified that WMATA's Fiscal Year (FY) 2023 budget complies with the statutory three percent cap on the annual growth of the Virginia operating subsidy. As proposed in December 2022, WMATA's FY2024 budget, which will be approved in spring 2023, complies with the cap. The \$330.2 million Virginia operating subsidy includes a base increase of \$9.3 million and \$7.7 million in proposed legislative exclusions.

WMATA balances its proposed FY2024 budget through \$29 million in increased revenues, \$10 million in reduced expenses, and the transfer of \$139 million in federal formula funding to the operating budget for preventive maintenance. The proposed budget will utilize all remaining federal pandemic relief. Therefore, a significant budget shortfall is projected in FY2025.

Chairs Marsden and Austin
February 23, 2023
Page Two

WMATA announced on October 4 a multi-pronged effort to address fare evasion. As much as \$40 million per year in fare revenue is lost on buses (the amount on rail is unknown). Over one third of passengers do not pay the fare on some DC routes, and bus drivers are told not to enforce the fare because of the risk of a confrontation. Not paying the fare can be a criminal offense in Maryland and Virginia. Despite decriminalizing fare evasion in 2018, the District only recently implemented an adjudication process. In all three jurisdictions, fare evasion is subject to a fine.

On November 1, WMATA began issuing citations for fare evasion. The fine is \$100 in Virginia and Maryland and \$50 in the District. Also in December, the Council of the District of Columbia unanimously approved a plan to make Metrobus fare free in the city limits by July 1, 2023. The plan includes \$32 million to replace fare revenue, and WMATA is currently in negotiations over a Memorandum of Agreement.

The WMATA Board Executive Committee received the FY2022 audited financial statements and single audit reports on November 4. The audit found no material weaknesses in financial statements or federal awards and no issues to report related to compliance or other matters pertaining to financial reports or federal awards.

Measures necessary to better ensure the safety of riders and employees

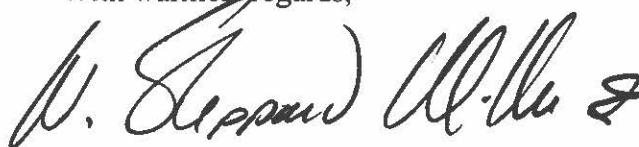
On October 25, the Washington Metrorail Safety Commission (WMSC) stated that it had “no technical objection” to WMATA's revised Return-to-Service (RTS) plan submitted earlier that day. The revised RTS plan allows WMATA to operate all 320 high press tonnage 7000 Series railcars on all Metrorail lines, including the Blue, Orange, and Silver lines for the first time since October 2021. As of December 31, the revised RTS plan still required inspections every four days, which limited the number of trains in service. However, WMATA is planning to increase service on February 7 by going to inspections every seven days, which the WMSC authorized on January 20.

Legal and organizational structure of WMATA

On June 28, 2018, the WMATA Board adopted bylaws with governance changes required by the Virginia 2018 dedicated funding legislation. The bylaws are still in effect. The WMATA Board Secretary has certified that no violations of bylaws occurred during FY2022 via letter to me last June.

Thank you for your continued support. Please let me know if you have any questions or comments.

With warmest regards,

A handwritten signature in black ink, appearing to read "W. Sheppard Miller III", written in a cursive style.

W. Sheppard Miller III