



COMMONWEALTH of VIRGINIA

Office of the Governor

W. Sheppard Miller III
Secretary of Transportation

June 26, 2024

The Honorable Jennifer Boysko, Chair
Senate Transportation Committee
P.O. Box 247
Herndon, Virginia 20172

The Honorable Karrie Delaney, Chair
House Transportation Committee
P.O. Box 231023
Centreville, Virginia 20120

Dear Senator Boysko and Delegate Delaney:

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), on necessary reforms of the Washington Metropolitan Area Transit Authority (WMATA) to support a viable transit system. This letter serves as the update for the quarter ending March 31, 2024. The first section covers the following topics of the legislation:

- 1) **Labor costs and labor relations**
- 2) **Measures necessary to resolve WMATA's unfunded pension liability and other postemployment benefits**
- 3) **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**

WMATA Fiscal Year 2025 Budget: Commonwealth officials and staff met with the General Manager several times during the legislative session to discuss the budget, opportunities for managing expense growth and non-fare revenue generation, and ways to ensure accountability.

On January 25, the WMATA Board voted to approve the public hearing docket for its FY25 capital and operating budgets based on the original General Manager's Proposed Budget that included significant service cuts and up to a 20 percent fare increase to keep the jurisdictional subsidy at no more than a 3 percent increase over FY24 subsidy levels, as required by both Maryland and Virginia law.

In early February, WMATA Finance and Capital Committee received a revised FY25 operating budget that included additional financial commitments from Virginia (\$130 million based on legislative language), Maryland (\$150 million), and Washington, D.C. (\$200 million). The revised operating budget eliminated all the bus service cuts, included relatively minor rail cuts, reduced the amount of preventive maintenance flex from the capital budget to the operating budget, and reduced the fare increase to at least 12.5 percent. The revised operating budget also included zero growth in expenditures over the FY24 budget, yet that provision remains subject to union negotiations.

On March 27, WMATA provided both the capital and operating budgets approved for public hearings and comment, the revised operating budget, and audited financial reports with pension information to the Commonwealth Transportation Board (CTB). By doing so, WMATA met the April 1 submission deadline, as required by CTB policy (updated in September 2023).

During the quarter, my office and the Virginia WMATA Board members expressed concern that the additional financial commitments included in the revised operating budget were not consistent with the WMATA subsidy allocation formula. WMATA Finance and Capital Committee subsequently reduced the additional operating subsidy requirements for Virginia and Maryland to \$119.4 million and \$143.3 million respectively, to not exceed Washington, D.C.'s funding commitment of \$200 million, when applying the traditional formula. The cumulative subsidy reduction of \$17.3 million was accounted for by increasing the amount of preventive maintenance flex from the capital budget to the operating budget.

The FY25 budget was adopted by the full WMATA Board on April 25.

FY 2024 Budget to Actual: WMATA's Quarterly Financial Progress Report through December 31, 2023, highlighted that total system ridership was 29 percent higher than the prior year. Relative to budget, passenger revenue was unfavorable by \$26.4 million. Total operating revenues of \$223.9 million (excluding federal relief) were unfavorable to budget by \$21.4 million, while operating expenses of \$1.1 million were \$35.6 million favorable to budget. WMATA used federal relief funds of \$272.8 million to offset the revenue deficit.

Pension Plan Performance: On March 22, WMATA staff provided a memo to the Board stating that the \$5.2 billion combined value of the five pension plans decreased by \$164.2 million or 3.0 percent through September 30, 2023. The pension plans losses ranged from 1.9 to 3.3 percent in the quarter, compared to the S&P 500 which decreased 3.3 percent. The losses in that quarter outweighed the gains of the previous quarter. The one-year results for the pension plans ranged from 8.0 to 12.0 percent increases compared to a 21.6 percent increase for the S&P 500.

Inspector General: The Inspector General's office issued three reports during the quarter: 1.) Evaluation of WMATA's Contractor Offboarding Program (January 11, 2024); 2.) Evaluation of WMATA's Background Screening Process for Employees of Contractors (February 8, 2024); and 3.) semi-annual report (March 7, 2024). The two evaluations resulted in recommendations

for improvement, with WMATA management generally responsive to the recommendations, and the reports indicated that actions taken or planned should potentially correct the deficiencies. The semi-annual report indicated that audit work led to \$11.1 million in total possible savings identified through audits and evaluations. Based on an annual budget of \$12.4 million, over the six-month period, the Inspector General returned \$1.80 to WMATA for every dollar spent by the office.

Northern Virginia Transportation Commission (NVTC) Operating and Reform Working Group Draft Report: In March, NVTC released a draft report of findings and recommendations based on the consultant activities supporting the Working Group. The recommendations for WMATA reform had been previously included in NVTC's Annual Report on the Performance and Condition of WMATA in December 2023. This report also included an analysis of potential Virginia funding streams that should be considered for the long-term solvency of Metro and other transit operators. It recommended that new revenues be deposited into a new trust fund account at NVTC, which would develop a novel model to allocate the funds across various transit operators. NVTC adopted the report at its April meeting.

Annual Transformation Report (2024): On March 8, the WMATA Executive Committee released the first annual report out on WMATA's progress in implementing its February 2023 Strategic Transformation Plan. The adoption of a strategic plan every three years is a requirement of Virginia Dedicated Funding legislation. The report includes progress updates, an action plan with milestones over the next decade, and performance metrics. Highlights from the press release include:

- Bus and rail ridership increased more than 4.5 million trips a month over the previous year, fueled by frequent, reliable, and safe service.
- Nearly half of Metrobus customers saw buses arrive every 12 minutes or less, and more than half of rail customers saw trains arrive every six minutes or less, on average.
- Behavioral crisis intervention specialists, partnerships with local law enforcement for enhanced station patrols, and more patrols onboard trains and buses have reduced Part I (violent) crimes systemwide by 14 percent.
- While providing more frequent service, Metro has reduced costs by \$183 million through one-time budget actions, newly identified recurring operating cost efficiencies and salary/wage freezes. Metro has also sized trains to match ridership demand, launching its first six-car trains on its newest rail car fleet.
- Financially, Metro has outperformed expense projections with tight management controls, had a clean independent audit for the ninth straight year, and maintained its AA bond rating, keeping the cost of borrowing in check. At the end of the second quarter, Metro is tracking under its projected FY24 operating budget.

Some areas for improvement include Metrorail and Metrobus customer injury rates and Metrobus employee injury rates, customer perception of safety, on-time performance, and percent of trips using Metro Lift, Metro's new low-income fare discount.

4) Measures Necessary to Better Ensure the Safety of Riders and Employees

Washington Metropolitan Safety Commission (WMSC): On January 17, the WMSC issued an order requiring Metrorail to develop a corrective action plan (CAP) to address the National Transportation Safety Board (NTSB) safety recommendation to Metrorail that resulted from the NTSB investigation into the October 12, 2021, derailment of a Blue Line train between Rosslyn and Arlington Cemetery stations.

On January 18, the WMSC issued its audit of WMATA's Automatic Train Control and Signals Program. The audit demonstrates that Metrorail has implemented some improvements since the previous WMSC audit (issued in 2021) and the WMSC's August 4, 2022, Train Control Room maintenance and cleaning order, but the audit also demonstrates that Metrorail is not carrying out some key safety commitments to ensure personnel are not at risk and to better manage risks going forward.

On February 7, the WMSC issued its audit of WMATA's Metrorail Power Systems, which included three findings (one of which was already addressed by the time the report was released). Metro was commended for its work to address root problems found during the audit.

On February 28, the WMSC issued an order regarding Metrorail's noncompliance with its train operator certification requirements. The WMSC's review demonstrates that Metrorail is designating train operators as certified despite their certification documents indicating that those individuals had not attempted or successfully completed required tasks that are specifically included in Metrorail's Performance Standardization Program that Metrorail has developed to provide for the safety of Metrorail riders and personnel. The tasks not attempted or successfully completed include specific certification requirements to address deficiencies identified during the 2015 fatal smoke accident near L'Enfant Plaza Station. WMATA has indicated that they are working to improve the training and certification program.

Also, during the quarter, the WMSC Board adopted the following investigation reports:

- W-0256 Derailments on Blue Line – October 12, 2021
- W-0251 Collision at Metro Center Station – May 21, 2023
- W-0252 Evacuation for Life Safety Reasons at Ronald Reagan Washington National Airport Station – September 3, 2023
- W-0253 Evacuation for Life Safety Reasons at Wheaton Station – May 18, 2023
- W-0254 Collision at Rhode Island Ave Station – August 23, 2023
- W-0255 Evacuation for Life Safety Reasons at Shaw-Howard University Station – August 31, 2023
- W-0257 Red Signal Overrun at Ballston Station – April 15, 2023
- W-0258 Red Signal Overrun at Ballston Station – June 10, 2023
- W-0259 Collision near East Falls Church Station – June 5, 2023
- W-0260 Derailment near Potomac Yard Station – April 11, 2023

- W-0261 Collision at Greenbelt Yard – June 29, 2023
- W-0262 Collision at Minnesota Avenue Station – May 1, 2023

Rail Initiatives: At the January 25 Board Safety and Operations Committee meeting, WMATA staff presented updates on restoring Systemwide Maximum Allowable Speeds (MAS), Auto Doors, and Automatic Train Operations (ATO) functions to Metrorail. MAS would reduce end-to-end trips and the number of trains required for service, saving up to \$2.3 million in annual operational costs. Subject to WMSC concurrence, all Metrorail lines are expected to activate Auto Doors by Spring 2024. According to WMATA, ATO and Auto Doors will save upwards of 5-10 minutes in travel time per end-to-end rail trip and up to \$10 million annually. WMATA also presented an update on their Safety Management System, which they are touting as best in class.

February 15 Smoke/Fire Incident: The Eastern Market Metrorail Station in Washington, DC, was evacuated after smoke from a track fire filled the station. Eight people were treated for minor injuries at the scene by first responders with one transported to a local hospital. A preliminary investigation revealed the cause of the fire to be arcing from the collector shoe assembly (which connects the train to third rail power) on a 7000-series railcar. There was no derailment and WMATA inspected all railcars and tracks to ensure there is no system-wide issue. The WMSC is also investigating the incident. WMATA staff updated the WMATA Board on February 22 with statistics from the incident response, which incorporated lessons learned from the 2015 L'Enfant Plaza smoke and fire incident, including updated ventilation and evacuation procedures adopted after that event. As of a March 8 Board presentation, WMATA is continuing to assess the root cause of the fractures and have coordination efforts in place to flag potential related issues.

Fare Evasion Update: Beginning on March 18, Metro Transit Police Department (MTPD) notified customers that they are enhancing the issuance of citations for fare evasion in the District of Columbia, following the passage of the Secure DC Bill, which requires individuals stopped by law enforcement officials to provide proper ID and includes enhanced penalties for offenses committed against transit operators, station managers, Metrorail station employees, and mass transit vehicle passengers. In early April, Metro shared that fare evasion is down systemwide by 50 percent.

5) Legal and organizational structure of WMATA

6) Composition and qualifications of the WMATA Board of Directors and the length of terms of its members

Board Bylaws: 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 certified that no violations of bylaws occurred during FY23 via letter to me on June 23.

The Maryland General Assembly passed the Maryland Metro Funding Act of 2024, suspending the 3 percent cap on operating subsidy increases through FY28 and adding cases for withholding,

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including when a Metro Board chair has either served for a period greater than two years or represents the same jurisdiction as the member who served as chairman for the two immediately preceding years. Governor Moore signed this legislation on May 9.

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", followed by a stylized flourish or symbol.

W. Sheppard Miller III