



COMMONWEALTH of VIRGINIA

Office of the Governor

W. Sheppard Miller III
Secretary of Transportation

February 20, 2025

The Honorable Lamont Bagby, Chair
Senate Transportation Committee
P.O. Box 396
Richmond, Virginia 23218

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

Dear Senator Bagby 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 June 30, 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 FY 2025 Budget: The FY 2025 budget was adopted by the WMATA Board on April 25, 2024, with no pay raises for union and non-union employees.

FY 2024 Third Quarter Financial Progress Report: WMATA's FY 2024 Q3 Financial Progress Report highlighted that total system ridership was 24 percent higher than the prior year. Relative to budget, passenger revenue was unfavorable by \$34.4 million. Total operating revenues of \$338.8 million (excluding federal relief) were unfavorable to budget by \$27.6 million, while operating expenses of \$1,690.1 million were \$39.6 million favorable to budget. WMATA used federal relief funds of \$412.1 million to offset the revenue deficit. While ridership and revenue performance worsened slightly quarter over quarter, expense favorability improved.

Pension Plan Performance: On June 14, WMATA staff provided a memo to the Board stating that the \$5.6 billion combined value of the five pension plans increased by \$406.9 million or 7.5 percent through December 31, 2023. These gains more than made up for the decreases in the prior quarter. The pension plans' gains ranged from 7.5 to 8.7 percent in FY 2024 Q2, compared to the S&P 500 which increased 11.7 percent. The one-year results for the pension plans ranged from 10.9 to 12.8 percent increases compared to a 26.3 percent increase for the S&P 500.

Office of Inspector General (OIG) Software Licensing Audit: On June 13, 2024, the WMATA OIG released the Audit of WMATA's Software Licensing Management report. It found that the Digital Modernization (DM) program can improve its management of software licensing and assets by strengthening controls in the following areas: software licensing optimization and utilization management, software lifecycle tracking, and monitoring and detecting software and hardware purchases made with WMATA purchase cards.

The OIG stated that these control weaknesses limit DM's ability to effectively and efficiently account for, monitor, and manage software and software license costs, utilization, and optimization, which could result in noncompliance with software contract terms, unnecessary expenditures, and increased exposure to cybersecurity vulnerabilities. DM's software management outlook appears promising as the newly appointed Chief Digital Officer recognizes the necessity of centralizing financial control over software assets. This recognition reflects an initiative to optimize resources and reinforce fundamental program policies. While a program to address these deficiencies is underway, a timeline has not yet been established.

ATU Local 689: The collective bargaining agreement (CBA) between ATU Local 689 and WMATA expired on June 30, 2024. As of that date, no new agreement had been reached; however, a new CBA was ratified by the WMATA Board on August 21, 2024. ATU Local 689 is Metro's largest labor union. The agreement notably includes zero percent raises and cost of living adjustments for FY 2024, as well as additional cost control and safety measures over the contract period.

DMVMoves Task Force: On May 1, 2024, during a joint Boards of Directors meeting hosted by the Metropolitan Washington Council of Governments (COG) and the Washington Metropolitan Area Transit Authority (WMATA), officials from the two organizations announced a historic regional planning initiative called *DMVMoves*. This initiative is intended to set the vision for comprehensive regional transit planning in the District of Columbia, Maryland and Virginia, and will focus on the following initiatives:

- Transit plans and service standards for regional and local systems;
- Opportunities for enhanced efficiency through coordination and sharing of resources;
- Sources of revenue for dedicated capital and operations funding for regional and local transit; and
- Enhanced governance of the entire transit network.

Over the next year, the Task Force of officials appointed by COG and WMATA will guide this initiative alongside two workgroups representing area jurisdictions, transit service providers and agencies, and business, labor, and community organizations. Representatives on the Task Force from Virginia include Deputy Secretary of Transportation Michael Sargent; Delegate Mark Sickles; Senator Scott Surovell; NVTC Chair and Arlington County Supervisor Matt De Feranti; and Northern Virginia Transportation Authority (NVTA) Chair and Loudoun County Board of Supervisors Chair Phyllis Randall.

Rail Initiatives: On May 9, 2024, during the Rail Fleet Strategy Update to the WMATA Board Safety and Operations Committee, WMATA announced that as of May 10, they would be officially retiring the 76 remaining 2000 series rail cars introduced to the system in the 1980s, reducing the fleet size to 1,204 railcars. This reduction in fleet size results in savings from ongoing corrective maintenance and periodic inspections of that fleet. On June 27, the Washington Metrorail Safety Commission (WMSC) concurred with WMATA's determination that it could activate Automatic Door Operation (ADO) systemwide on the Metrorail system, which will improve rail travel times and reliability. WMATA submitted its ADO determination materials to the WMSC on June 14, with an activation date of July 1. WMATA is also anticipating WMSC authorization to begin testing Automatic Train Operation by mid-October to begin in December.

Compliance with Commonwealth Transportation Board (CTB) Policy and Guidelines for Implementation of Governance and Funding Reforms: As required by CTB Policy, the WMATA General Manager submitted a letter to me on June 20 describing WMATA's actions to comply with the policy in FY 2024-2025, including the requirements for Adoption of a Detailed Capital Improvement Program, Adoption or Update of a Strategic Plan, and Compliance with three percent cap on growth in total Virginia operating assistance. The Virginia Department of Rail

and Public Transportation will review the information submitted by WMATA and will present its recommendations related to enforcement actions, if any, to the CTB in September.

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

Washington Metropolitan Safety Commission (WMSC): On April 8, 2024, the WMSC issued a subpoena to WMATA for documents related to its Fitness for Duty Audit in response to WMATA challenging WMSC's authority to request documentation related to WMATA's audits on drug and alcohol policies and occupational health. The WMSC had never used its subpoena authority since its inception in 2017. WMATA claimed that the requests are overly burdensome and duplicative of other agencies' oversight activities, to which the WMSC disagrees. WMATA requested and received an extension from April 29 to May 31 to supply the documents with May 6 as a deadline to share any objections. WMATA shared objections by the deadline and provided some limited documentation in response to the subpoena.

The WMSC issued an Audit of WMATA Metrorail's Revenue Vehicles (Railcar) Program on May 21, which included several findings related to Metro not following its own procedures. The scope of this audit included Metrorail's maintenance and engineering practices related to railcars. The audit also includes associated shop equipment such as railcar movers. Also, during the quarter, the WMSC Board adopted investigation reports W-0263 to W-0303, which can be found on the WMSC website.

Crime and Fare Evasion: According to WMATA's FY 2024 Q1-Q3 Service Excellence Reports, serious crime across the system is down 30 percent since Q3 FY 2023 and fare evasion is down from 13 percent to 4 percent on Metrorail. Metrorail customer satisfaction dropped to 77 percent in Q3, missing its target of no less than 85 percent, which represented an 11-percentage point drop from the Q2 result. Customers indicated an increase in disruptive behavior by teens aboard trains, fare evasion, and weekend service disruptions as drivers of the decline.

OIG Public Safety Investigations: The OIG released a report on June 13, 2024, of its limited review of the Metro Transit Police Department's (MTPD) handling of criminal investigations based on concerns raised by the Office of the Commonwealth's Attorney for Arlington and the City of Falls Church. The OIG made recommendations for improved communications between the parties.

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

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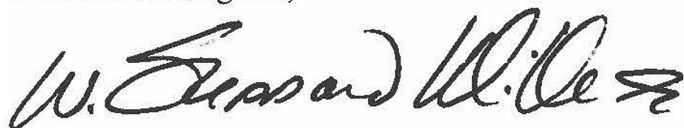
Board Bylaws: On June 28, 2018, the WMATA Board adopted bylaws with governance changes required by the Virginia 2018 dedicated funding legislation. The bylaws are still in effect. The WMATA Board Secretary certified that no violations of bylaws occurred during FY24 via letter to me on June 28.

The Maryland General Assembly passed the Maryland Metro Funding Act of 2024, suspending the three percent cap on operating subsidy increases through FY28 and adding cases for withholding, including when a Metro Board Chair either serves for a period greater than two years or represents the same jurisdiction as the member who served as Chair for the two immediately preceding years. The Governor signed this legislation on May 9.

On June 27, the WMATA Board elected Valerie Santos of the District of Columbia as its Chair for July 2024 – June 2025. Commonwealth Board appointee Paul Smedberg will serve as First Vice-Chair after having served as Chair since 2019.

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", with a stylized flourish at the end.

W. Sheppard Miller III