



COMMONWEALTH of VIRGINIA

Office of the Governor

W. Sheppard Miller III
Secretary of Transportation

February 21, 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 September 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**

Fiscal Year (FY) 2024 Fourth Quarter Financial Progress Report: WMATA's FY 2024 Q4 Financial Progress Report highlighted that total system ridership was 21% higher than the prior year. FY 2024 passenger revenue was unfavorable by \$47.9 million relative to budget. Total operating revenues reached \$472.6 million (excluding federal relief), which was unfavorable to

budget by \$34.1 million, while operating expenses of approximately \$2.3 billion were \$62.5 million favorable to budget, leaving a \$28.4 million operating surplus for the fiscal year. WMATA also used federal relief funds of \$532.6 million during FY 2024 to supplement revenues in the budget.

The total capital spend was 88% of budget for the fiscal year. The largest area of underspending was in fixed rail. In response to questions from DRPT, WMATA indicated that the key drivers for the overall 12% underspending included:

- (1) Schedule delays for several capital projects such as the Bus Fleet Replacement Program, Heavy Repair and Overhaul Facility, the Bridge Rehabilitation Program, and the MetroAccess Fleet Replacement Program; and
- (2) A reduction in the budgeted transfer of maintenance expenses that originate in the Operating Budget that are eligible to be transferred and funded from the Capital Budget as preventive maintenance.

FY 2024 Q4 Cash Flow Update: As of June 30, 2024, WMATA had \$510.6 million cash on hand. For FY 2024, WMATA received \$532.6 million in federal relief funds, \$28.4 million below the budget estimate. Also, WMATA received \$1.3 billion from state and local sources for operations and \$951.5 million for capital investment, which includes \$500 million in dedicated revenues. Additionally, WMATA received \$869.8 million from bonds issued in Q1 FY 2024. WMATA generated interest income of \$47.4 million, which includes \$17.9 million for the capital program. WMATA has \$500 million line of credit availability.

Pension Plan Performance: On September 20, 2024, WMATA staff provided a memo to the Board stating that the \$5.9 billion combined value of the five pension plans increased by \$256.6 million or 4.5% through March 31, 2024. The pension plans' gains ranged from 3.0% to 5.2% in FY 2024 Q3, compared to the S&P 500 which increased 10.6%. The one-year results for the pension plans ranged from increases of 9.7% to 14.1% compared to a 29.9% increase for the S&P 500.

Office of Inspector General (OIG): On September 26, 2024, the WMATA Board approved new agency-wide guidelines and policy changes intended to improve the implementation and effectiveness of previously adopted WMATA Office of Inspector General (OIG) independence reforms in matters related to procurement and hiring and budget approval. The resolution also extended the IG's reappointment term from one to three years.

The OIG's semi-annual report noted that the OIG had identified over \$7 million in potential savings and included its FY 2025 audit and evaluation plan.

During FY 2025, the OIG plans to undertake an “Evaluation of the Track Rehab Program” to determine whether WMATA has effectively utilized jurisdictional funding on that major effort and an “Audit of Transit Asset Inventory and Conditional Assessment” to determine whether WMATA has effective internal controls for managing the transit asset inventory and conditions assessments, among other audit and evaluation activities.

ATU Local 689: As indicated in the prior quarterly report, a new collective bargaining agreement (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 Taks 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.

The *DMVMoves* Task Force met on September 23, 2024, its second meeting since the May 2024 COG/WMATA Boards of Directors Joint Meeting establishing the Task Force. A draft vision for transit in the region has been developed as well as preliminary recommendations to streamline the customer experience and improve administrative efficiencies across the local transit providers and WMATA. The Task Force is slated to adopt these recommendations in November and will then begin to weigh-in on the funding need for transit in the region and what revenue sources may be used.

SJ 28 - Northern Virginia Growing Needs of Public Transit Joint Subcommittee: This effort, established in the 2024 General Assembly Session, is tasked with researching and developing a long-term sustainable funding solution for transit in Northern Virginia, including WMATA, VRE, PRTC, and local transit providers. As part of this effort, which kicked off in July 2024, Virginia Deputy Secretary of Transportation Michael Sargent presented a benchmarking assessment of WMATA and all the local transit agencies through 2022 (most recent available national data), comparing regional metrics with other urban transit systems.

Notable findings of the benchmarking assessment include that ridership has not returned to 2019 (pre-pandemic) levels, operating cost per trip is higher in the region compared to its peers, and the region has more transit assets to maintain relative to its peers. The benchmarking assessment noted that Metrorail employee headcount is driving costs because WMATA’s rail workforce is relatively larger than its peer agencies. It also pointed out that Metrorail costs are

disproportionately centered in facilities and administration (not service delivery). Another point which the benchmarking assessment highlighted is that operating subsidies for WMATA have increased a third faster than Virginia incomes and 2.6 times the rate of inflation.

Rail Initiatives: On September 26, 2024, WMATA staff presented a Rail Operations and Safety Program Update to the WMATA Board Safety and Operations Committee, which focused on the following three items:

- **Point and Call Method:** Metro has seen an increase in red signal violations and wrong side door operations. As a result of this, Metro implemented the Point and Call method. The Point and Call method is designed to help rail vehicle operators stay focused on various critical tasks.
- **Rail Automation Updates:** Metro has been working on several rail automation efforts including automatic train operation (ATO) and automatic door operation (ADO). ADO began systemwide on July 8, 2024. ATO is expected to start to be utilized on the Red Line in December 2024.
- **Return to Design Speeds:** Metro is working to rescind a manual speed restriction that was put in place in 1986. Evaluation of all track infrastructure, train control signaling systems, and power systems is underway to confirm part of the Metrorail system can support trains operating at the design speeds.

WMATA staff stated that these improvements together could result in a 10% reduction in travel times and up to \$15 million in savings annually, along with improved safety.

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

Washington Metropolitan Safety Commission (WMSC): On July 31, 2024, the WMSC published their audit of the WMATA Roadway Worker Protection Program (RWP) which found that “although Metrorail has established policies and procedures, rules, training, and oversight of its RWP program, there are still deficiencies that put the safety of workers at risk. During this audit, WMSC personnel observed unsafe practices contrary to Metrorail policies and procedures at every observation activity conducted.” On September 27, 2024, the WMSC issued an “Order regarding Metrorail’s future Roadway Worker Protection Program Revisions” to help ensure the safety of workers.

During the quarter, the WMSC Board also adopted investigation reports W-0264 to W-0256, which can be found on the WMSC website.

Crime and Fare Evasion: According to WMATA’s FY 2024 Q4 Service Excellence Report, serious crime across the system was down 14% compared to FY 2023 and fourth quarter results

were the lowest in 5 years, down over 40% compared to Q4 FY 2023. The report also noted that fare evasion is down 82% on rail due to installation of higher fare gates and improved enforcement; however, fare evasion remains high on bus at 70%.

5) Legal and organizational structure of WMATA

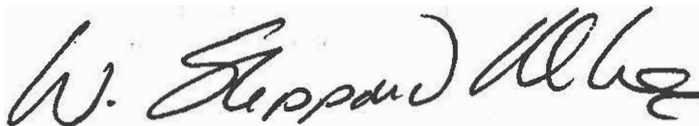
6) Composition and qualifications of the WMATA Board of Directors and the length of terms of its members

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.

No changes to the legal and organizational structure of WMATA or the composition of the WMATA Board of Directors occurred during the quarter.

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, reading "W. Sheppard Miller III". The signature is written in a cursive style with a large, prominent "W" and "M".

W. Sheppard Miller III