Review of WMATA Operating, Governance and Financial Conditions

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Methodology

- Study compares WMATA to 8 large transit agencies:
  - New York, Los Angeles, Chicago, Boston, Philadelphia, SF Bay Area, Atlanta, New Jersey
- Primary data source: USDOT National Transit Database
- Secondary sources: US Census, Bureau of Labor Statistics, Retirement Research Institute, Center for State and Local Government Excellence, etc
- Latest year available for most data was 2015

Employee compensation

WMATA compensation is average for a large transit agency

- **Benchmark: spending on wages, salaries and fringe benefits per hour worked**
- **WMATA is (and has been) consistently average**
- **Alternate method: compare WMATA wages to DC region cost of living; WMATA also average by this measure**

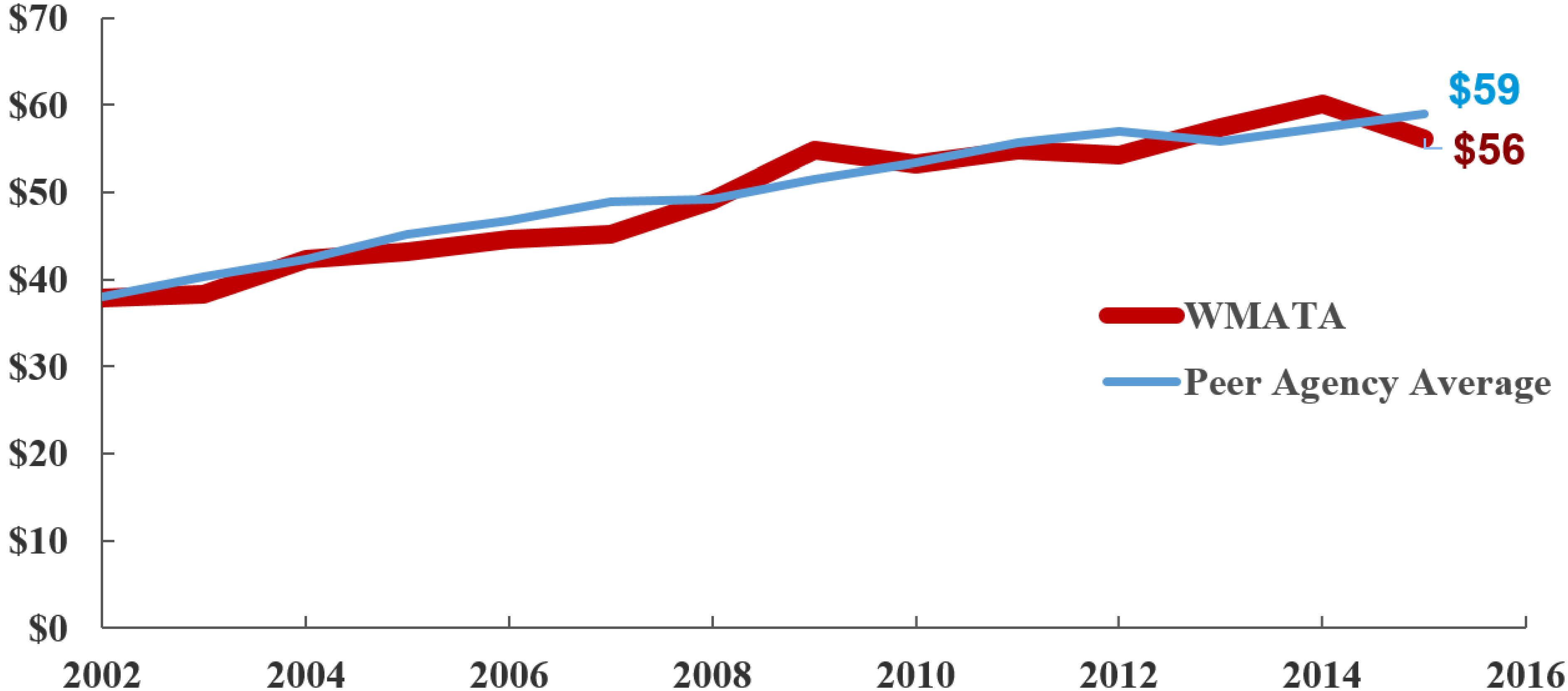


Figure 2. Total cost of wages, salaries and fringe benefits per hour worked, WMATA vs. large peer transit agencies. Source: NTD.

Other Employment Policies

Two WMATA employment policies are notably generous

- **WMATA employees contribute 3.1% of pay to pension where national average for defined benefit pensions is 7.1%**
- **WMATA allows overtime earnings to count in calculating retirement pay. Some agencies allow this and some do not.**

Partly offset by one less-generous-than-average policy

- **WMATA base retirement pay benchmarked at 55% of final annual salary; average of 20 local governments is 60%**

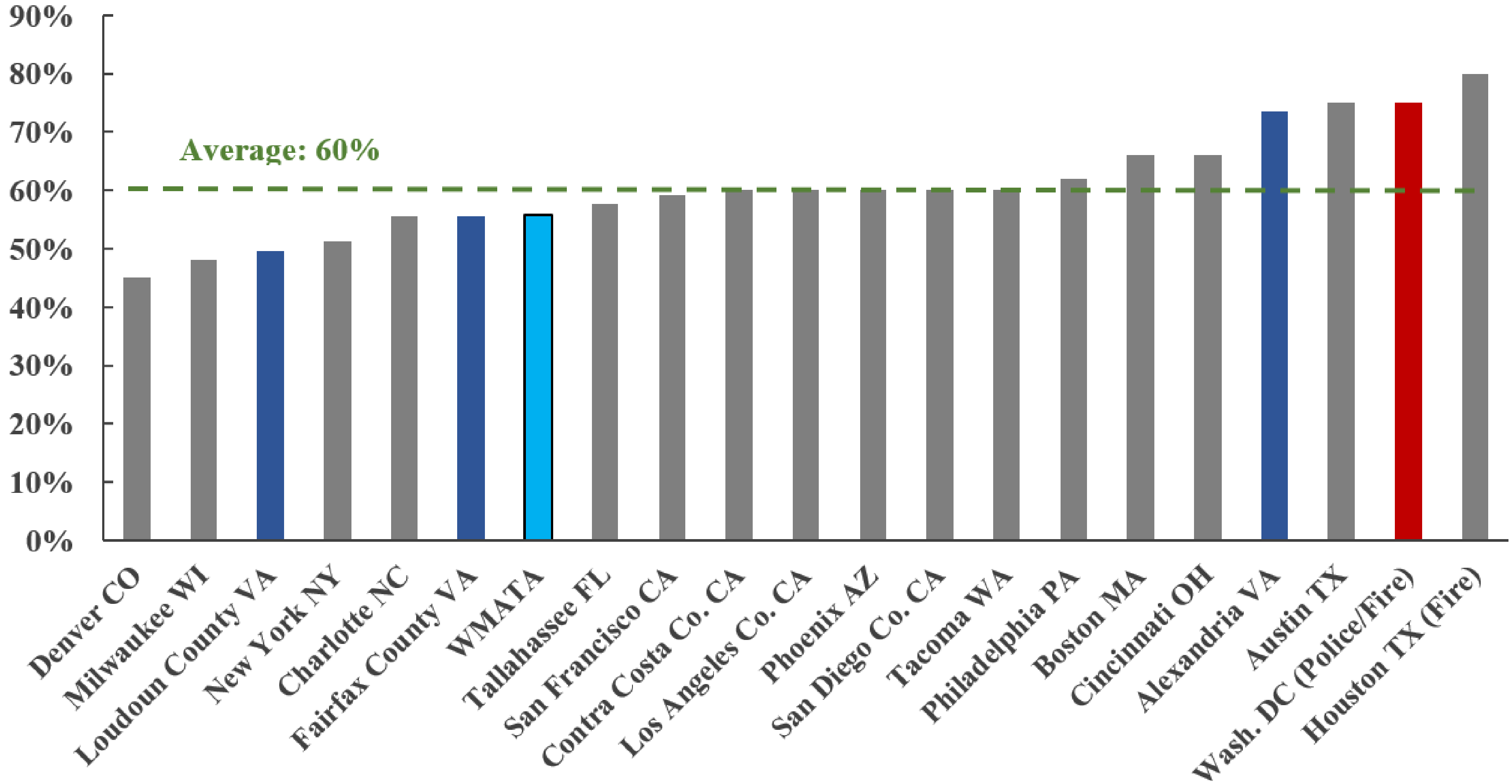


Figure 4. Retirement payments as a percent of final annual salary for an employee with 30 years of service retiring at age 62. Source: Center for State & Local Government Excellence; "Retirement Benefit Decisions by City and County Governments"; WMATA labor agreements.

Pensions

WMATA has pension issues similar to other public agencies

- **In 2015, WMATA pensions were 77% funded**
- **National average for public pensions was 75%**
- **Major VA and MD pensions are similar; DC is better**
- **Both WMATA and national average are trending upward**
- **Contributions to pension have become a major cost item, similar to other public sector agencies**
- **External forces are at work – aging population, falling dependency ratio, poor investment returns from financial crisis**

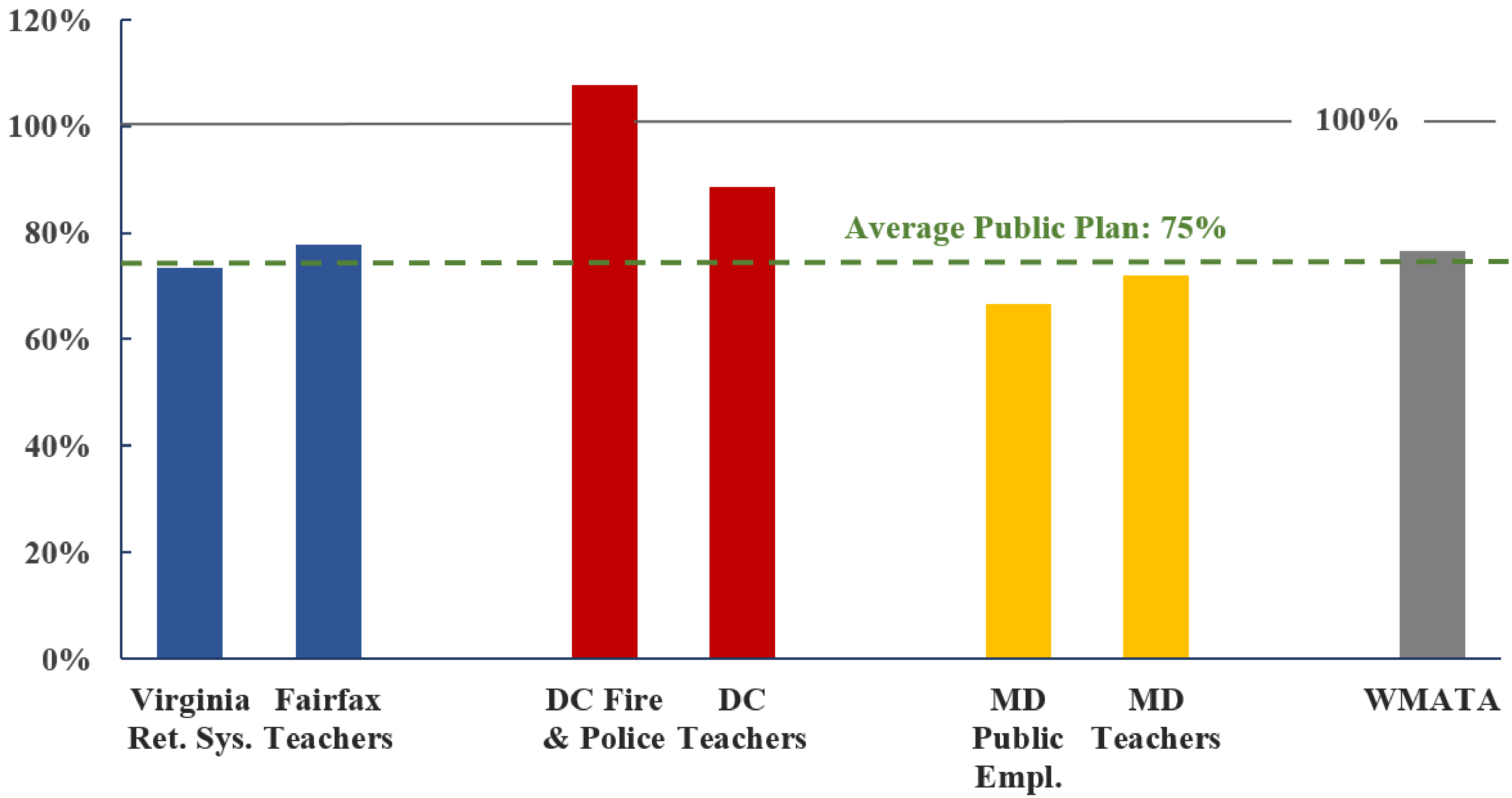


Figure 5. 2015 funding ratios for WMATA pension plans and selected DC, Maryland and Virginia plans. Source: Boston College Public Pension Plan Database; WMATA.

Bus System Finances

WMATA bus system has poor financial performance vs. peers

- **In 2015, Metrobus fares covered 23% of operation and maintenance cost vs. 32% for peer agencies**
- **Trend since 2015 is downward**
- **Causes: low fares, high service levels, stagnant ridership**
- **In 2017, base fare rose from $1.75 to $2.00**
- **Cost to deliver a hour of bus service is average**

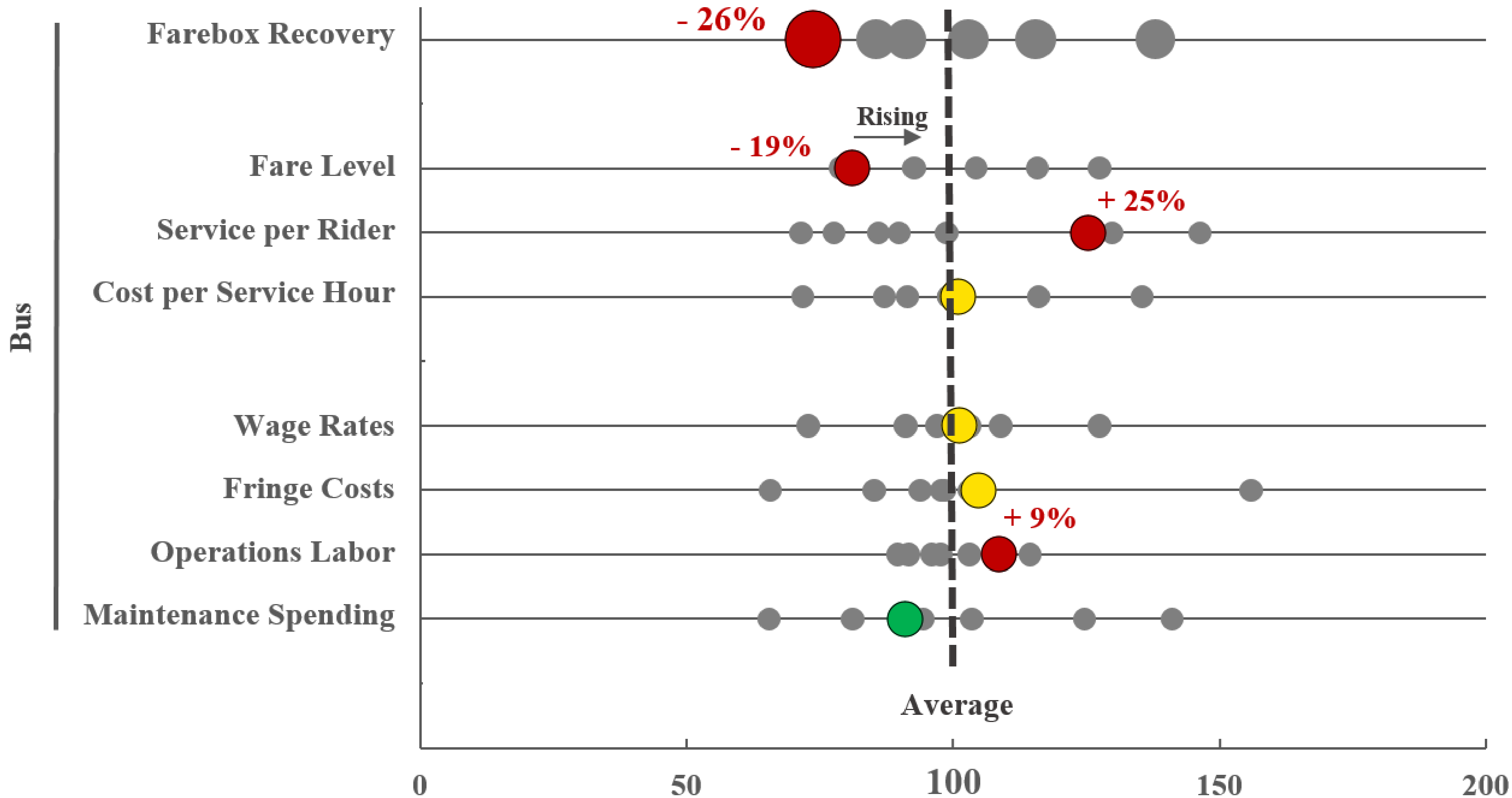


Figure 7. WMATA 2015 bus system performance vs. seven peer agencies. Source: NTD.

Rail System Finances

Main factors are plentiful service, high fares, falling ridership

- **In 2015, cost recovery was above average, but trend is downward**
- **Above average cost recovery possible due to high fares**
- **Service levels 22% higher than peer average in 2015**
- **Cost to deliver an hour of service 9% above average; excess is due to higher than average maintenance spending**
- **Biggest issue is ridership – 14% decline from peak year**
- **In 2017, WMATA cut rail service to control costs; trains now less frequent**

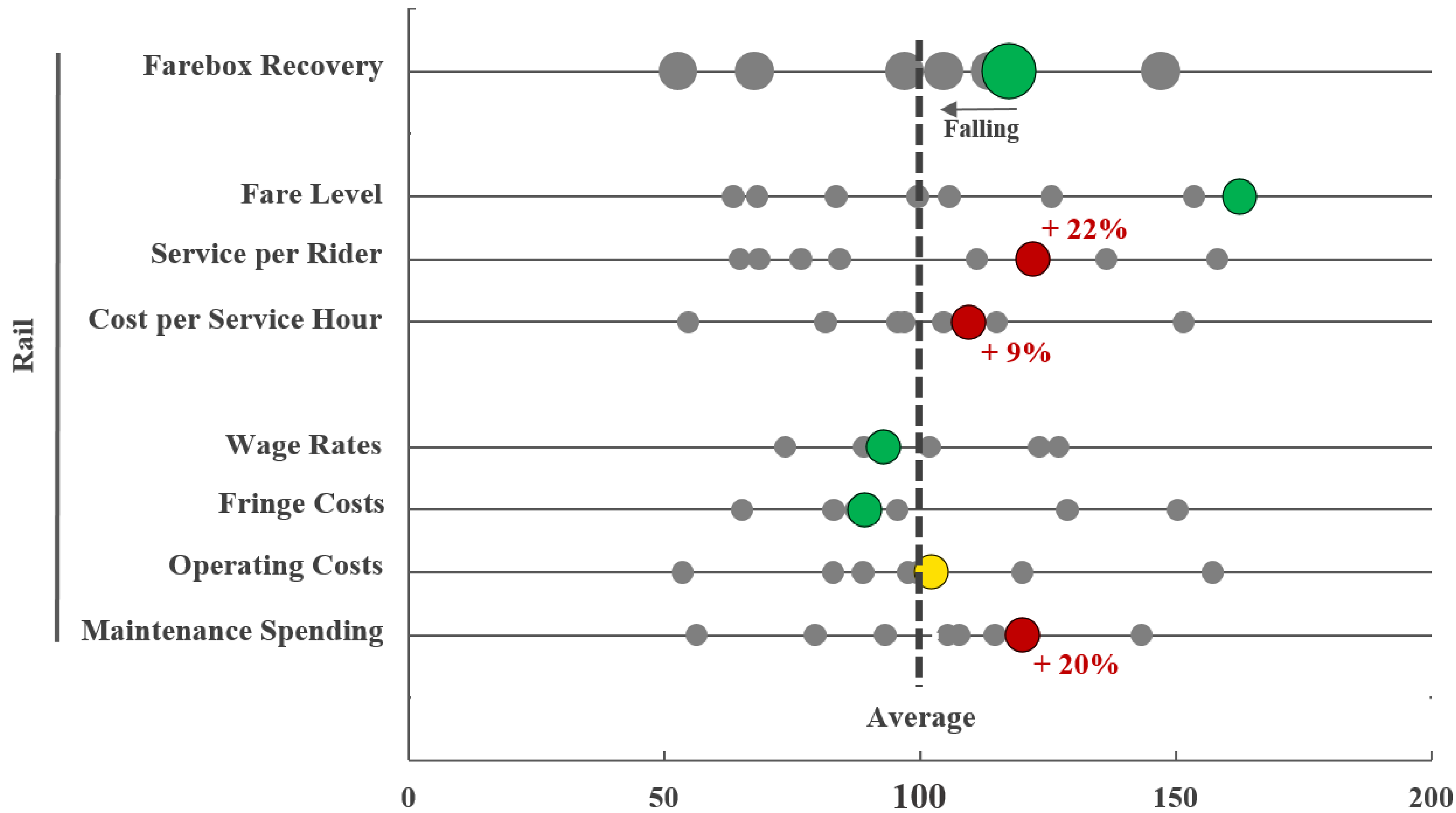


Figure 8. WMATA 2015 rail system performance vs. seven peer agencies. Source: NTD.

State & Local Subsidies

Subsidies have been rising at 10% per year

- **Rapid growth explained by 3 cost factors and 1 revenue factor**
- **Cost factors:**
  - **New railcars – annual spending has gone from $0 to $350 million/year**
  - **Rail system rehab – increase of more than $300 million/year**
  - **Pension costs – from $0 in early 2000s to >$160 million/year now**
  - **All other costs have grown at 3% per year**
- **Revenue:**
  - **Falling ridership has deprived WMATA of $140 million/year in revenue**

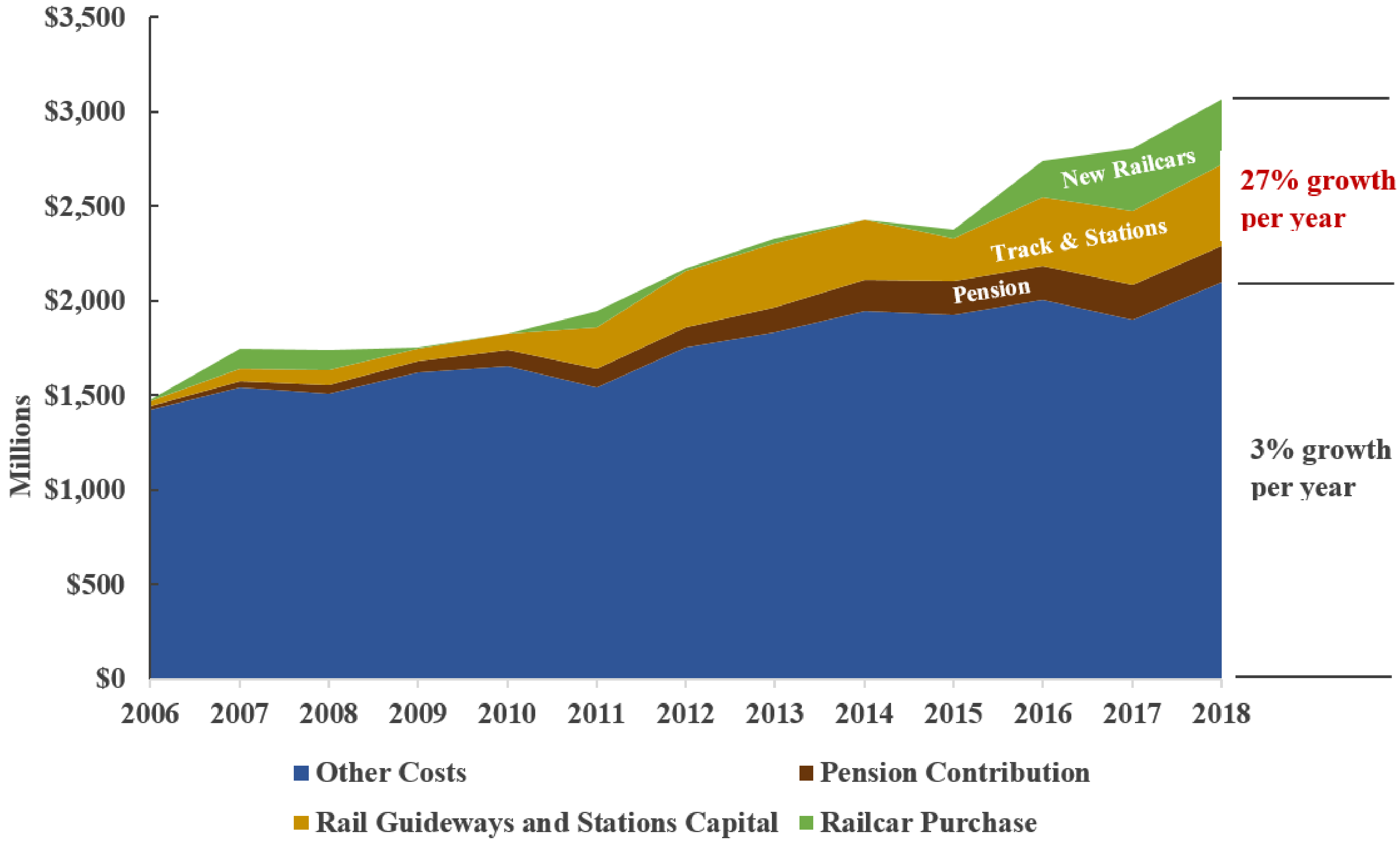


Figure 12. WMATA growth in spending in three major categories vs. all other spending, FY2006 to FY2018. Source: WMATA; WSP calculations.

Board

Board is large for a transit agency

- **WMATA board has 16 members; average transit board has 9**
- **WMATA board has 9 committees & subcommittees; average among peers is 6**
- **WMATA board has many meetings – 85 total over a 12 months**
- **Peer large transit agencies do not have jurisdictional veto, but the 3 other multi-state transit agencies do**

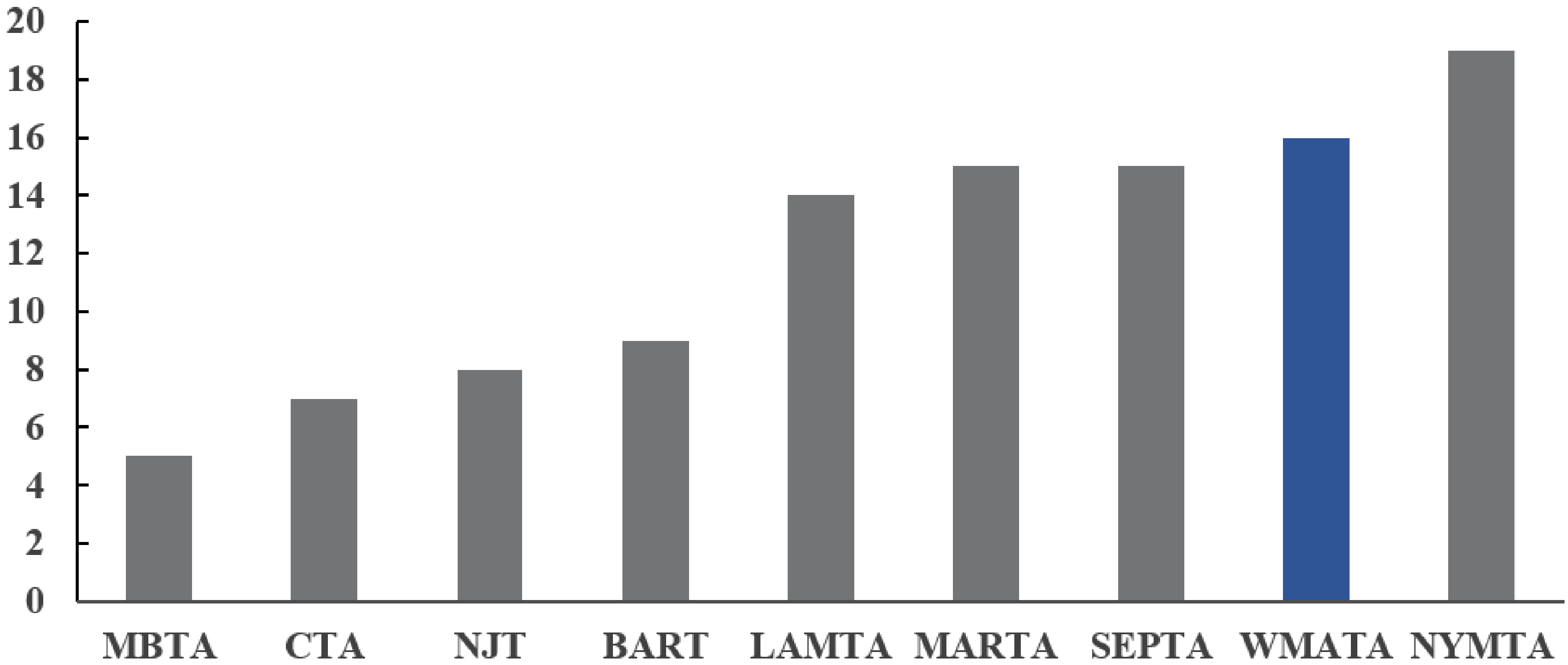


Figure 13. WMATA board size vs. boards at peer agencies. Sources: multiple.

Measures To Reduce Operating Subsidies

6 measures identified; value between $57 and $7 million/year

- **Return of rail ridership**
- **Bus reset**
- **Employee contribution to pension**
- **Diminished fare evasion**
- **Increase in advertising**
- **Reduced absenteeism**

Recommend WMATA achieve at least $40 million/year in value from all measures combined

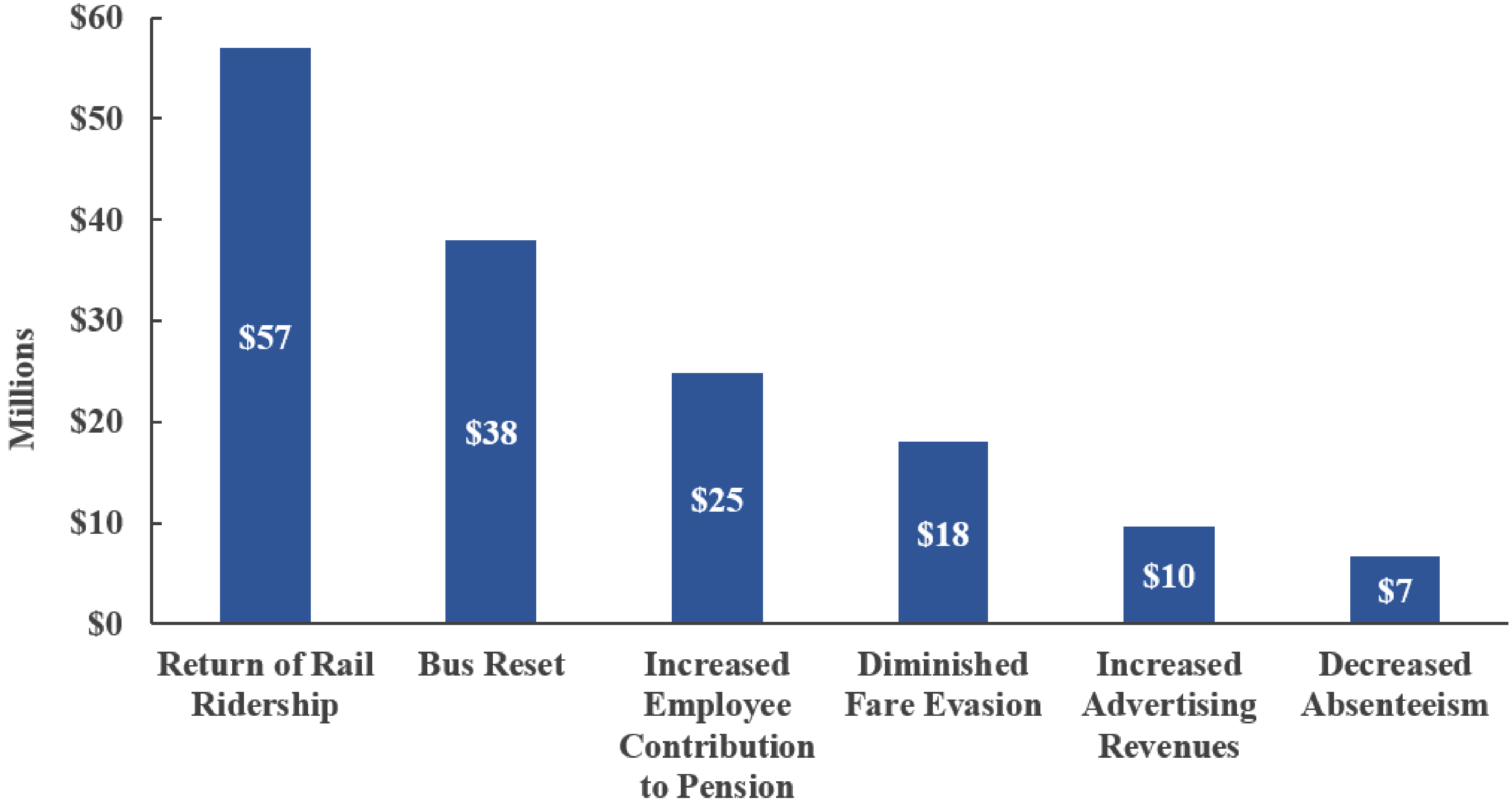


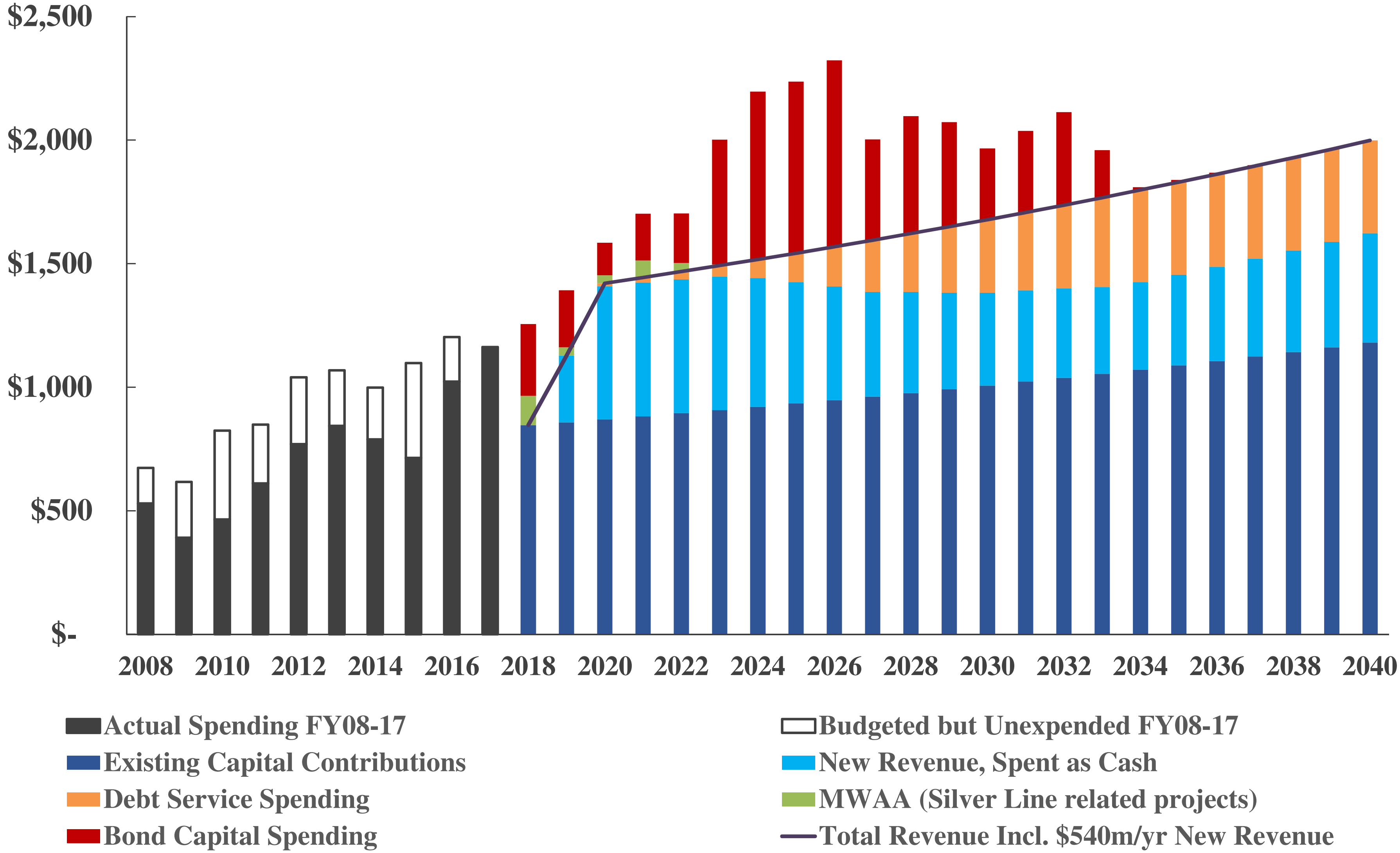
Figure 14. Upper bound estimates for the value of measures to reduce WMATA operating subsidies, in millions of dollars per year at full phase-in. Source: WMATA budget data and WSP analysis.

Capital Funding Needs

$540 million/year in new capital funds needed

- **Should have happened 12 years ago when Metrorail turned 30**
- **State of good repair backlog now $7 billion**
- **Need can be met with <u>$500 million/year</u> in new revenue plus $40 million/year in operating savings**
- **Covers only state of good repair; any enhancements would require additional funds**
- **It will take ~15 years to eliminate backlog even with major borrowing**
- **Need to borrow means revenue must be dedicated**

Fed, state & local funders grew accustomed to a capital budget suitable for a new system; WMATA is no longer a new system


$2,500
$2,000
$1,500
$1,000
$500
$-
2008
2010
2012
2014
2016
2018
2020
2022
2024
2026
2028
2030
2032
2034
2036
2038
2040
Actual Spending FY08-17
Budgeted but Unexpended FY08-17
Existing Capital Contributions
New Revenue, Spent as Cash
Debt Service Spending
MWAA (Silver Line related projects)
Bond Capital Spending
Total Revenue Incl. $540m/yr New Revenue

Thank You