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J00A0104-MDOT-Washington Metropolitan Area Transit Authority  
Fiscal Year 2021 Operating Budget  
Response to Department of Legislative Services Budget Analysis

House Appropriations Committee  
Transportation & Environment Subcommittee  
Delegate Maggie McIntosh, Chair  
February 6, 2020

Senate Budget & Taxation Committee  
Public Safety, Transportation and Environment Subcommittee  
Senator Guy Guzzone, Chair  
February 13, 2020

### ***DLS Budget Analysis Issues***

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**1. Expenditures – Use of Capital Funds for Operating Costs (Page 9)**

***WMATA should comment on the increasing reliance on shifting operating costs to capital funding sources, including the impact that this practice has on the capital program and how it intends to address this issue going forward.***

**WMATA Response:**

The increase in capital allocation costs from \$46.1 million in FY 2020 to \$64.9 million in FY 2021 is due to accelerated capital investments and an increase in the allocation rate. WMATA's capital program is projected to grow from \$1.55 billion in FY 2020 to \$1.82 billion for FY 2021. The capital allocation rate follows guidance from, and has been approved by, the Federal Transit Administration (FTA). The rate is approved annually by the FTA.

**2. Expenditures – Silver Line Phase 2 (Page 10)**

***WMATA should brief the committees on the projected timeline for Phase 2 operations and indicate the likely increase in the operating subsidy that will be required of Maryland, Virginia, and the District of Columbia.***

**WMATA Response:**

As with any major transit project, there are a number of milestones that must be met before the new service opens for revenue service. The most significant milestone is the attainment of substantial completion. Following substantial completion, Silver Line Phase 2 will be turned over to WMATA for testing and training by WMATA personnel for a period of approximately six months. Hiring and training of most of the staff must begin 9-to 12 months in advance of revenue service.

The Metropolitan Washington Airports Authority is constructing Silver Line Phase 2 and has indicated that substantial completion will occur in April 2020. Numerous construction deficiencies, however, have resulted in project delays. Following a January 16, 2020 briefing to the WMATA Board's Safety and Operations Committee on the remaining, unresolved construction issues, the Board directed WMATA management to defer significant hiring and mobilization expenses pending additional information on how and when these construction issues will be resolved.

The regional operating subsidy for annual operations is preliminarily estimated to be \$115 million, with Maryland funding 33.2% of the required subsidy through the regional rail formula. Based upon past experience with the opening of Silver Line Phase 1, WMATA anticipates that many of the initial Silver Line Phase 2 riders will be existing Metrorail riders for whom the six new stations are more convenient. Additionally, consistent with most service startups, fare revenue during the first months of operations will likely be modest. As with Phase 1, WMATA anticipates that ridership and fare revenue will grow as new riders are attracted to the service and as additional residential and office buildings open near the new stations.

**3. PAYGO Capital Program (Page 11)**

***WMATA and MDOT should brief the committees on the status of negotiations on a long-term CFA.***

**WMATA and MDOT Response:**

Following a fourth one-year extension of the FY 2011-2016 Capital Funding Agreement (CFA), staff from WMATA and the funding jurisdictions initiated negotiations on a new, long-term CFA. The new CFA will add Loudoun County as a new funding jurisdiction, reflect dedicated funding as a new source of funds, and update reporting provisions to reflect WMATA's Capital Improvement Plan process as well as new jurisdictional requirements. The goal is to have the new long-term CFA finalized by May 2020 to allow all signatories to execute the agreement by June 30, 2020.

4. PAYGO Capital Program (Page 16)

*MDOT should brief the committees on the remaining issues preventing the release of the withheld fiscal 2020 capital funding and whether resolution of those issues provides confidence that it will be able to certify to the Governor the receipt of the information required to establish a mandate for the base capital grant to WMATA for fiscal 2022.*

**MDOT Response:**

The outstanding issue preventing the release of capital funds still withheld by MDOT is the completion of the FY 2018 fiscal/compliance audit. MDOT is currently withholding capital improvement program funds from the 1<sup>st</sup> and 2<sup>nd</sup> Quarter invoices of the FY 2020 subsidy as a result.

At the time of the initial withholding, WMATA was not providing all of the documentation necessary for MDOT to complete the FY 2018 compliance audit. A meeting was subsequently held with senior leadership at WMATA and MDOT that resulted in improved communication and cooperation on the audit. At the time of the 2nd Quarter payment, there were still documents outstanding that were necessary to complete the audit, so an additional withholding was made. Since that time, all of MDOT's initial data requests have been fulfilled and a review of the adequacy of those documents has begun. At the time of the 3rd Quarter payment, the audit was progressing so no additional funds were withheld. With continued cooperation from WMATA and assuming that appropriate documentation has been or will be provided, MDOT expects to have the audit completed and any subsequent findings resolved prior to the 4th Quarter payment, which would allow MDOT to release the withheld funding.

WMATA has been providing the regular periodic reporting as required in the statute, has increased the detail of its reporting on its capital improvement program, and is in the process of scheduling meetings to develop a debt policy as required in the CFA for Maryland's Dedicated Capital Funding grant. Provided the FY2018 compliance audit is completed, and its findings and any resultant remediation agreed upon by both parties, the Department should be able to certify to the Governor's Office prior to the July 1 deadline the release of base capital grant funds to WMATA.

## ***Operating Budget Recommended Actions***

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### **1. Concur with Governor's Allowance (Page 17)**

#### **MDOT Response:**

The Department concurs with the DLS recommendation.

## ***Paygo Capital Budget Recommended Actions***

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### **1. Concur with Governor's Allowance (Page 17)**

#### **MDOT Response:**

The Department concurs with the DLS recommendation.