

**J00A0104 Maryland Department of Transportation
Washington Metropolitan Area Transit Authority
Fiscal Year 2025 Operating Budget
Response to Department of Legislative Services Analysis**

Senate Budget and Taxation Committee
Public Safety, Transportation, and Environment Subcommittee
Chair Sarah Elfreth
February 15, 2024

House Appropriations Committee
Transportation and the Environment Subcommittee
Chair Courtney Watson
February 19, 2024

**J00A0104 MDOT – Washington Metropolitan Area Transit Authority
Fiscal Year 2025 Operating Budget
Response to Department of Legislative Services Analysis**

DLS Budget Analysis Issues

1. Funding in the Dedicated Purpose Account Could Help Avoid Most of the Service Reductions and Fare Increases That Are Included in WMATA's Fiscal 2025 Proposed Budget (Page 17)

The Secretary should brief the committees on the status of efforts to reach agreement with the District of Columbia and Virginia on avoiding or reducing the service reductions and fare increases included in WMATA's fiscal 2025 proposed budget.

MDOT Response:

MDOT has been working closely with our partners in the District of Columbia and Virginia to address WMATA's FY 2025 fiscal cliff. Recently, all three jurisdictions have put forward operating subsidy increase proposals. While further refinement regarding service and fare policy will continue based on the ultimate subsidy numbers, it appears that at least \$450 million in new contributions have been secured from the three jurisdictions. The Moore-Miller Administration's early commitment to those additional resources has aided the regional conversation. Through Maryland's Board Members, Assistant Secretary Joe McAndrew and Col. Donald Drummer, the Administration has also advocated for Maryland's interests as it relates to service and fare policy. Some of the items of greatest concern to MDOT, including turnbacks on the Red Line and Blue Line and station closures, are not included in the General Manager's updated budget proposal put forward on February 8.

MDOT continues to work with its peer agencies to confirm the ultimate budget approach for FY2025 in early spring.

2. WMATA Reports on Transit-oriented Development Efforts Inside the Capital Beltway (Page 18)

WMATA should comment on whether the cost containment reductions and/or the plan to close 10 Metrorail stations included in the fiscal 2025 proposed budget would impact any of its TOD activities in Maryland.

WMATA Response:

As noted above, with additional financial commitments from the District of Columbia and Virginia, WMATA plans to implement targeted service reductions in FY 2025, avoiding the need for significant service changes such as closing Metrorail stations.

J00A0104 MDOT – Washington Metropolitan Area Transit Authority
Fiscal Year 2025 Operating Budget
Response to Department of Legislative Services Analysis

If an operating budget did call for closing of low-ridership stations, WMATA expects that transit-oriented development (TOD) activities at any closed stations would slow or halt. TOD on WMATA property is generally more expensive due to the need to replace transit facilities and the additional costs associated with construction in the vicinity of an active railroad. Without the benefit of direct access to a Metrorail station, a cost benefit analysis would likely not justify such a development project, impacting market interest and financing.

**J00A0104 MDOT – Washington Metropolitan Area Transit Authority
Fiscal Year 2025 Operating Budget
Response to Department of Legislative Services Analysis**

Operating Budget Recommended Actions

1. Concur with Governor's allowance. (Page 20)

MDOT Response:

The Department concurs with the DLS recommendation.

PAYGO Budget Recommended Actions

1. Concur with Governor's allowance. (Page 20)

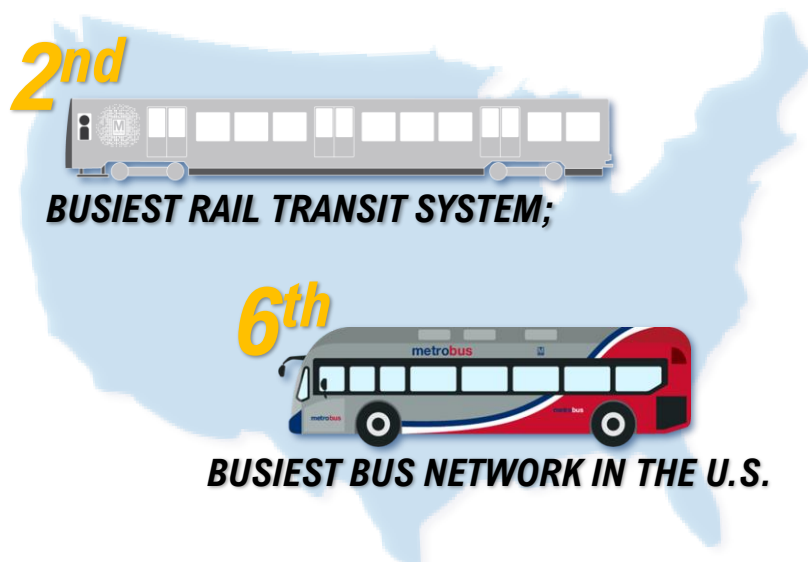
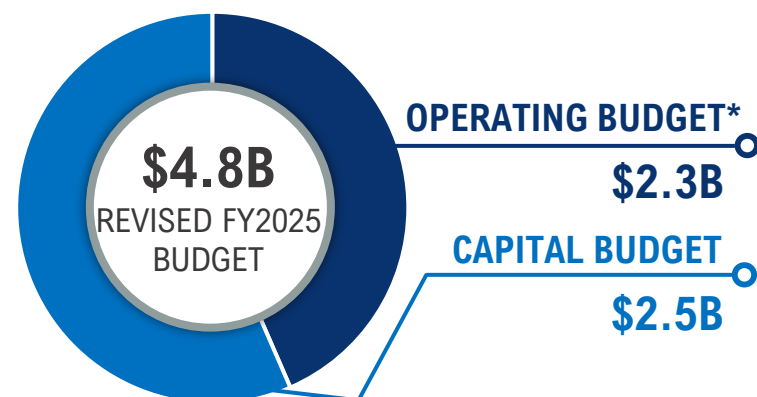
MDOT Response:

The Department concurs with the DLS recommendation.

WMATA FY25 Budget Overview



Metro At-A-Glance



METROBUS

40.7M
SCHEDULED
REVENUE MILES

METRO RAIL

117.2M
SCHEDULED
REVENUE MILES

METROACCESS

28.5M
SCHEDULED
REVENUE MILES

Within ½ mile of Metrorail stations and bus stops in the Compact area:

- 60% of population (2.8M people)
- 70% of jobs (1.7M jobs)
- 50% of employers (134,400 businesses)

The ½ mile around Metrorail stations is just 3% of the region’s land but contains:

- 30% of property value (\$328B)
- 40% of jobs
- 65% of new office development
- 50% of new apartments
- 25% of affordable housing
- 13 Fortune 500 headquarters

98 RAIL STATIONS

 DC		40 STATIONS
 MD		26 STATIONS
 VA		32 STATIONS

*Operating budget reflects expenses after preventive maintenance transfers



Metro's work continues

9
consecutive
clean audits

73%
increase in
train trips

244
digital screens
installed

7
new stations
systemwide

1M
SmarTrip® cards
in wallet

300+
MTPD
community
events

2
battery
electric buses
commissioned

12
years receiving the
Military Friendly
Employer Award

21,353
total page views
on Metropulse

3
LEED certified
Metro employee
buildings

85%
rail customer
satisfaction

69
escalators
replaced

33%
exceeded goal on
Federal Diverse
Business Enterprise

1,596
new hires including
923 bus operators and
92 train operators

\$100M
invested in
partnership for
affordable
housing

6,000+
New Metro Lift
customers

70%
reduction in
fare evasion at stations
with modified
fare gates

1M
Silver Line
customer
celebrated

\$104M
grant to convert
Metro's Cinder Bed
bus garage to exclusively
serve electric buses

10
Megawatts
solar electrical
capacity

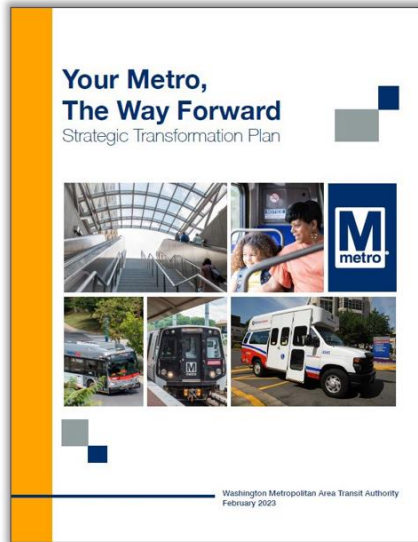
10/15
Launched the
Metro Integrated Command
and Communications
Control Center

7
elevators
replaced

12,000 employees. Countless achievements.

1 Metro.

Metro's Strategic Transformation Plan is Our North Star to *Deliver a Modern, World-Class Transit System*



In February 2023, Metro adopted its Strategic Transformation Plan [Your Metro, the Way Forward](#). The plan identified four strategic goals: Service Excellence, Talented Teams, Regional Opportunity & Partnership, and Sustainability. This plan was developed by the Board of Directors and management to guide Metro's decision-making over the next five years. It is serving as our North Star and guides how we fund the Metro service the region needs, wants and deserves. The plan establishes clear priorities for Metro, expands transparency around performance metrics, and promotes collaboration with our partners. Metrics identified in the plan are used to drive performance and operational decisions at Metro and are transparently measured in regular reports and our newly launched [Service Excellence Dashboard](#).



Deliver safer and more reliable service to customers, progressing Metro's automation efforts.



Design transit service to move more people and equitably connect a growing region.



Attract, develop, and retain top talent where individuals feel valued, supported, and proud of their contribution.



Manage resources more efficiently to achieve a sustainable operating, capital, and environmental model.

FY2024 Mid-Year Progress

Aggressive Management of Expenses Continues

Metro's ridership continues to recover from the impacts of Covid-19 demonstrating significant year-over-year gains, with ridership reaching approximately 70 percent of pre-pandemic levels; however, changes in the mix of trips has reduced average fares and passenger revenue below budgeted amounts.

Metro is closely managing its expenses and projects savings for the remainder of the year to offset these revenue losses. Despite the reduced revenue outlook, Metro expects to end FY2024 with a balanced budget due to aggressive expense management, allowing it to preserve \$95 million in one-time savings to apply to the FY2025 deficit.

(\$M)	FY2024 Q2 YTD		Variance	
	Budget	Actual	\$	%
Passenger Revenue	\$194.2	\$167.8	- \$26.4	- 13.6%
Non-Passenger Revenue	\$51.1	\$56.1	\$5.1	9.9%
Total Revenue	\$245.3	\$223.9	- \$21.4	- 8.7%
Personnel	\$782.8	\$783.2	- \$0.4	- 0.0%
Non-Personnel	\$376.2	\$340.3	\$36.0	9.6%
Total Expenses	\$1,159.1	\$1,123.5	\$35.6	3.1%
Gross Subsidy*	\$913.8	\$899.6	- \$14.2	- 1.6%
Federal Relief	\$287.7	\$272.8	- \$14.9	- 5.2%

** Gross Subsidy refers to operating expense less operating revenues and Federal relief and does not reflect/equal actual jurisdictional subsidy payments.*

Note: Amounts may not sum due to independent rounding

FY2025 and FY2026 Path Forward

Regional Framework for a Balanced Budget

The revised proposed budget adopts a regional approach that requires collaboration and contributions from all stakeholders. Aggressive expense management by Metro would keep FY2025 **gross expenses** at FY2024 levels (0% growth).

Metro: Salary and wage adjustments, recurring administrative efficiencies, and other cost reductions resulting in **\$119** million and **\$174** million in savings in FY2025 and FY2026, respectively.

Customers: At least 12.5 percent fare increase on Metrobus, Metrorail, and MetroAccess beginning in FY2025, and up to 25 percent on late nights and weekends (with \$2.50 cap).

Jurisdictions: Additional jurisdictional investment to replace prior reductions of jurisdictional funding to Metro and adjustments for ridership and inflation.

Use of Funds		Budget	2- Year Regional Transformation Framework	
(\$M)		FY2024	Revised FY2025 Proposed Budget	FY2026 Forecast
Expense	Initial Expenses	\$2,459	\$2,575	\$2,704
	Administrative Efficiency		- 50	- 52
	Salary and Wage Adjustment		- 38	- 77
	Inflation Reduction		- 11	- 25
	Target Service Cuts		- 20	- 20
	Total Savings		- 119	- 174
	Gross Expenses	\$2,459	\$2,457	\$2,530
	Additional PM (above \$60M)	- 139	- 104	- 114
	Expense after PM Transfer	2,320	2,352	2,416

Note: Amounts may not sum due to independent rounding

Assumptions

Personnel & Non-personnel: 0% salary and wage increase in FY2025 for L689, L922 and non-represented employees subject to the collective bargaining; CPI reduced from 5% to 3.5% in FY2025 and from 5.0 to 3.0% in FY2026



Source of Funds

Revenue

Proposed fare increase of least 12.5 percent on Metrobus, Metrorail, and MetroAccess beginning in FY2025, and up to 25 percent on late nights and weekends (with \$2.50 cap) would increase revenue by **\$24** million and efforts to improve fare collection recovery result in additional **\$12** million for a net increase of **\$36** million in FY2025. Continued ridership growth increases FY2026 revenue by **\$10** million.

		Full-Year Forecast	2- Year Regional Transformation Framework	
		FY2024	Revised FY2025 Proposed Budget	FY2026 Forecast
Revenue	(\$M)			
	Initial Revenue	\$452	\$452	\$488
	Revenue Recovery*		\$12	\$10
	Fare Increase		\$24	
	Subtotal		\$36	\$10
	Total Revenue	\$452	\$488	\$498

* E.g., ridership growth, long distance trip recovery, new fareboxes and faregates



Targeted Service and Fare Optimization



More Targeted Rail Service. Efficiently deliver frequent all-day service to drive ridership and revenue growth. Schedule **peak service** periods to align with ridership levels. Operate more **six-car trains** where shorter trains provide sufficient capacity. Reduce service levels on holidays with low ridership.



Redesigned Bus Network. Maintain bus service levels and begin Better Bus implementation. The Year One Network reallocates existing resources to deliver more value to the region, adapting to how customers travel now.



More Fare Revenue. Increase fares by at least 12.5% to generate additional revenue. Reduce fare evasion with system-wide high-barrier faregate installation and increased fare enforcement. Make it easier to pay with mobile technology and reduced fare programs.

Optimize service to deliver the most useful network with available resources:

- **Adapt Service.** Adapt rail and bus service capacity with targeted changes while sustaining good frequency to grow ridership.
- **Provide Access to More Destinations.** Reduce customer travel times and increase access to jobs and opportunity.
- **Optimize Use of Metro’s Assets.** Manage railcar and bus fleets to deliver high asset utilization and provide good service at low marginal cost.

Fare Increase Scenario	Revenue Impact (\$M)	Ridership Impact (M)
Baseline	\$362.2	233.3
5%	\$10.0	-4.1
12.5%	\$22.2	-10.2
12.5% + up to 25% late-night/weekend (with \$2.50 cap)	\$23.9	-11.3
20%	\$33.9	-15.2
25%	\$40.4	-19.0

Fares

- Balance increasing revenue and continuing to grow ridership
- Considering modifying weekend and late-night fares for additional revenue in response to strong ridership

Parking Rates

- Keep parking rates unchanged to encourage use of available capacity at parking facilities; raising parking rates would be expected to reduce growth in long-distance Metro commutes, lessening future fare revenue



Jurisdictional Operating Investment

Metro’s funding jurisdictions as of February 2, 2024 have communicated **\$480** million in additional funding in FY2025 above the 3 percent cap. These respective additional contributions for FY2025 are reflected below. Maryland’s budget includes \$150 million in its FY2025 budget; there are budget amendments moving through both Houses of the Virginia legislature which reflect the \$130 million funding level. On February 1, 2024 District of Columbia leadership sent a letter indicating their commitment to \$200 million in additional subsidy.

The Metro subsidy formula sets the level of subsidy for each jurisdiction proportionate to the other jurisdictions and the various commitments will need to be reconciled as the Board approves this year’s budget.

For FY2026, the forecast assumes funding levels increase by 3 percent, plus each jurisdiction’s share of the \$95 million of one-time savings from FY2025. FY2026 amounts are forecast estimates and may change as a result of Metro’s FY2026 budget process and Board direction.

	FY2025 Base	Additional Regional Investment	Revised FY2025 Proposed Budget*	FY2026 3% Growth*	One-Time Savings Expiration*	FY2026 Forecast*
(\$M)						
Expense			\$2,352			\$2,416
Revenue			(\$488)			(\$498)
Gross Subsidy			\$1,865			\$1,918
One-Time Savings			(\$95)			\$0
Subsidy	\$1,290	\$480	\$1,770	\$53	\$95	\$1,918
District of Columbia	\$462	\$200	\$662	\$20	\$36	\$717
Maryland	\$488	\$150	\$638	\$19	\$34	\$691
Virginia	\$340	\$130	\$470	\$14	\$25	\$510

Note: amounts may not sum due to independent rounding
**The subsidy amounts reflect additional contributions, are inconsistent with Metro’s historical subsidy formula, and will need to be reconciled*

Funding Requirements Beyond Metro’s Operating Subsidy

Amounts exclude 24-Hour Overnight Bus, student programs, reimbursable agreements, Safety and Security grant programs, Joint development projects, and any other programs separately agreed upon.

