

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY - METRO

MISSION STATEMENT

To provide financial contributions, on behalf of Arlington County, to satisfy the formula-allocated subsidy requirements of Metrorail, Metrobus, and MetroAccess services provided by the Washington Metropolitan Area Transit Authority (WMATA) throughout the region.

WMATA is a regional public transportation partnership among the area's state and local governments and the federal government. WMATA's member jurisdictions are: Arlington and Fairfax counties, the cities of Alexandria, Fairfax, and Falls Church in Virginia, the District of Columbia, and Montgomery and Prince George's counties in Maryland. The Authority's major budgetary programs are Metrorail, Metrobus, and MetroAccess operations, and the Capital Improvement Program (CIP).

FY 2019 PRIORITIES

WMATA's priorities in FY 2019 are to continue to focus on safety and service reliability while also to remain financially responsible. In 2017, the WMATA General Manager presented a plan called "Keeping Metro Safe, Reliable, and Affordable". This plan is intended to address significant capital investment needs of the agency while also seeking to control the annual growth of jurisdictional operating subsidies. As part of this plan, the General Manager proposed a three percent annual cap on operating subsidy growth, as well as cost reductions through innovation and competitive contracting where effective. The FY 2019 budget maintains this proposal, with jurisdictional subsidies capped at three percent. Other proposals such as amendments to WMATA labor union agreements, a new retirement program, and a rainy-day fund to address unforeseen budget events, will be addressed in subsequent budgets to the extent they are agreed to and approved.

SIGNIFICANT BUDGET CHANGES

The FY 2019 adopted General Fund transfer for WMATA is \$40,600,000, reflecting a twelve percent increase over the FY 2018 adopted budget. While the County's gross WMATA operating subsidy remains within the General Manager's three percent cap on subsidy growth (2.7%), reductions to the County's available state transit aid, combined with regional gas tax revenues, will increase the required General Fund support for WMATA.

Major drivers for the operating budget are increases to labor and fringe costs, continued reductions in forecasted ridership on Metrobus and Metrorail, and lower projected state transit aid availability. The County's operating subsidy increase reflects the following:

- ↓ Metrobus subsidy decreases due to revisions to WMATA's indirect cost allocations, partially offset by general labor cost increases.
- ↑ Metrorail subsidy increases due to increased labor and fringe costs coupled with the impact of WMATA's indirect cost allocations.
- ↓ MetroAccess subsidy decreases due to fewer trips originating from Arlington.

BUDGET DESCRIPTION

The Metro Board adopted its FY 2019 budget on March 22, 2018. Arlington's share of the operating subsidy is approximately 7.2 percent of the total. Subsidy increases to the Metrobus and Metrorail systems are driven primarily by increased labor costs and reduced farebox revenues. WMATA's policy is to adjust fares biennially based on inflation. Fares were increased on average by 6 percent in FY 2015. However, the WMATA Board did not adopt a fare increase in FY 2017. An average fare increase of approximately 14 percent was adopted for Metrobus, Metrorail, and MetroAccess in FY 2018. No fare increases were approved as part of the FY 2019 budget.

Metrorail provides over 170 million passenger trips annually and serves 11 stations in Arlington along four lines (Orange, Silver, Yellow, and Blue). Metrobus has over 11,000 bus stops and over 2,500 shelters in the region. Many transit services in Arlington operate seven days per week providing up to 18 hours of daily coverage. Metro serves an overall population of approximately 4 million within a 1,500 square mile jurisdiction.

Capital Program

Metro's adopted FY 2019 - FY 2024 Capital Improvement Program (CIP) financial plan relies on a forecasted investment of \$8.5 billion from the federal government, state and local governments, and other sources. Of the \$8.5 billion six-year plan: \$2.2 billion comes from federal funding; state and local contributions total \$6.3 billion; other sources constitute \$65 million.

Beginning in FY 2019, the District of Columbia, Maryland, and Virginia, together approved a new dedicated funding stream for WMATA. This new revenue source will provide approximately \$500 million annually to WMATA's capital program. In Virginia, the State will provide its share of funding of approximately \$154 million to WMATA, with local jurisdictions required to provide \$27.1 million of this funding. For Arlington, this represents \$7.2 - \$8.2 million annually. The County intends to pay this local funding requirement with a mix of general obligation bonds and TCF – C&I tax revenues.

The new dedicated funding may not be fully implemented in FY 2019. Including the full level of new revenues, the County expects to pay approximately \$21 million in FY 2019, including \$13 million of WMATA capital subsidy, and the \$8.2 million local component of the dedicated funding. To the extent that the State does not provide the full dedicated funding amount in FY 2019, the County may be required to provide additional funding to meet Virginia's full WMATA funding obligation. The County's contributions are funded with a combination of County General Obligation (GO) bonds, state transit aid, and gas tax revenues. As part of the FY 2019 WMATA budget process, a one-year amendment to the current Capital Funding Agreement (CFA) was approved.

Funding

Passenger and system revenues historically funded approximately fifty-one percent of the annual cost of operations. In FY 2019 it is projected that fare revenues will only cover approximately forty percent of total expenditures. The balance of operating funding comes from local jurisdictional subsidies.

The Northern Virginia Transportation Commission (NVTC) serves as fiscal agent for the Northern Virginia jurisdictions. NVTC receives state transit funds from the Department of Rail and Public Transit (DRPT) on behalf of Northern Virginia jurisdictions, and also federal funds not directly allocated to WMATA. In addition, the state collects a 2.1 percent regional gas tax on behalf of NVTC jurisdictions to be used for payment to WMATA for qualifying operating and capital costs. These revenues are reflected as State Transit Aid and Regional Gas Tax receipts in the County budget description. Local governments provide the balance of required funding for transit operating programs. Arlington County uses General Fund dollars to finance this portion of its share of WMATA operations.

METRO FINANCIAL SUMMARY

	FY 2017 Actual	FY 2018 Adopted	FY 2019 Adopted	% Change '18 to '19
Metrobus ^{1,2}	\$30,664,488	\$35,225,000	\$34,416,820	-2%
Metrorail	25,107,076	34,650,000	37,908,548	9%
MetroAccess	823,079	830,000	806,424	-3%
Total WMATA Subsidy	56,594,643	70,705,000	73,131,792	3%
Source of Contributions				
State Transit Aid	22,751,328	29,165,345	27,990,650	-4%
Regional Gas Tax	3,500,000	4,800,000	3,700,000	-23%
Transform 66 Funding ¹	-	500,000	500,000	-
Subtotal, NVTC REVENUES	26,251,328	34,465,345	32,190,650	-7%
Transportation Capital Fund - New Bus Operating Costs ²	-	-	341,142	-
Total Revenues/Other Sources	26,251,328	34,465,345	32,531,792	-6%
NET GENERAL FUND TAX SUPPORT ²	\$30,343,315	\$36,239,655	\$40,600,000	12%

¹ As part of the Transform 66 Inside the Beltway project, funding of \$1 million was provided to fully fund enhanced WMATA route 2A service for two years. Net annual operating costs are estimated at \$500 thousand.

² Beginning in FY 2019, the operating costs associated with new or increased service to bus routes as laid out in the County's adopted Transit Development Plan (TDP) are to be funded from the transportation capital fund. \$341,142 in costs were adopted in FY 2019 related to these routes.