

Northern Virginia Transportation Business Coalition

January 4, 2023

The Honorable Matt de Ferranti
Chair, Northern Virginia Transportation Commission
2300 Wilson Boulevard, Suite 230
Arlington, VA 22201

RE: WMATA's Short and Long-Term Financial Sustainability

Dear Chairman de Ferranti:

As representatives of the vast majority of private and nonprofit employers across Northern Virginia, we recognize that WMATA plays a critical role in the multimodal transportation network that serves our community. Metro's success is essential to the long-term economic prosperity of our region.

However, given the high stakes for our community, we are concerned that WMATA's current cost growth is unsustainable. WMATA's operating budget is currently on track to grow by 8.7% in FY24 compared to the previous fiscal year. This is higher than the 4.6% wage increase in FY24 required by the collective bargaining agreement and significantly higher than the current 3.0% national annual rate of inflation (CPI-W). In FY25, even including WMATA's identified \$50 million in ongoing cost savings, WMATA's operating budget is projected to grow an additional 5.9% without further service and administrative cost reductions.

WMATA is facing a dire financial situation, not simply because of a lack of dedicated funding, but because current operating cost growth will outpace state and local tax revenue sources. For example, Washington, D.C.'s general fund is currently projected to grow by 2% per year. And last year, Northern Virginia's regional sales tax revenue grew by less than 5% with lower growth rates projected for the future. Dedicated funding alone will not solve WMATA's unsustainable long-term financial cost structure.

Without further addressing WMATA's operating cost growth, WMATA's operating budget will require the continued diversion of resources from other transportation, education, and health and human service priorities from state and local governments across our region. Maryland has already seen the impact WMATA's continued cost growth will have on its own transit and transportation systems, including diverting funding from local transit service and state of good repair.

Families, businesses, and local governments across our region are all required to live within our financial means. WMATA's current ethos of running the best service possible regardless of cost is unrealistic and unsustainable. Right-sizing service and operations now to meet a sustainable level of revenue growth will help WMATA avoid draconian service cuts in the future.

In addition, we strongly believe that Northern Virginia jurisdictions have an unmet financial obligation to WMATA created by the jurisdictional subsidy credit. In addition to receiving this

WMATA subsidy credit, the Commonwealth of Virginia provided an additional \$88 million in assistance to Northern Virginia jurisdictions to meet their financial commitment to WMATA in FY22. Before identifying new funding, local jurisdictions should acknowledge the impact of the credit on WMATA's financial situation by making WMATA whole.

Raising concerns about WMATA's unsustainable cost growth and acknowledging the role of the jurisdictional subsidy credit in WMATA's financial situation is the fiscally responsible approach that should be taken by every Northern Virginia elected official who wants WMATA to succeed.

Therefore, we urge Northern Virginia's elected officials and representatives on the WMATA Board to:

- 1.) Evaluate WMATA's true financial need for the next two years including specific projected operating expenses and revenue forecasts, current inflation, identified recurring savings, any additional federal operating assistance, a fare increase, right-sizing of service, and new funding provided by the bipartisan federal infrastructure bill that can be used to cover maintenance costs in the operating budget.
- 2.) Identify Virginia's current share of both the FY21 WMATA subsidy credit and any remaining shortfall in local jurisdictional operating subsidy.
- 3.) Keep the 3% operating subsidy cap but reset the jurisdictional operating subsidies to account for the subsidy credit and remaining FY25-26 shortfall once all other cost savings and internal WMATA revenue sources have been identified.
- 4.) Split 50/50 between the Commonwealth and local jurisdictions Virginia's remaining shortfall.
- 5.) Create an Independent Regional Commission over the next two years to evaluate WMATA's operating costs, capital project prioritization and needs, inspector general independence, and new dedicated funding requirements for WMATA's operating and capital budgets over the next decade.

Taking these steps will allow WMATA to avoid draconian service cuts and provide regional elected leaders with the information necessary to make better fact-based decisions when evaluating their local, regional, and state funding priorities - while putting WMATA on a long-term sustainable path.

Thank you for your time and consideration of this important matter.

Sincerely,

Members of the Northern Virginia Transportation Business Coalition





CC: Governor Glenn Youngkin
 Senate Finance Chair Louise Lucas
 House Speaker Don Scott
 House Appropriations Chair Luke Torian
 Fairfax County Board of Supervisors Chair Jeff McKay
 Loudoun County Board of Supervisors Chair Phyllis Randall
 Arlington County Board Chair Libby Garvey
 Alexandria City Mayor Justin Wilson
 Fall Church City Mayor David Tarter
 Fairfax City Mayor Catherine Read
 WMATA Board Chair Paul Smedberg