Finance and Capital Committee
Information Item III-A

June 22, 2023

Future Financial Planning FY2025-2035
Presentation Name:

Future Financial Planning FY2025-2035

Project Manager:

Yetunde Olumide

Project Department:

Finance

Purpose/Key Highlights:

- Metro plays a vital role in the economic vitality of the National Capital Region, supporting the revitalization and creation of new activity centers. As the region increasingly grows around Metro, the system will be an even more important part of attracting talent and business.

- Metro is on an upward trend with growing ridership and more satisfied customers. Dedicated capital funding in 2018 enabled Metro to address long-neglected state of good repair work. The pandemic destabilized Metro’s operating model, both reducing ridership and triggering historic inflation. Metro’s vulnerability became even more apparent because of its lack of dedicated operating funding.

- FY2025 marks the precipice of Metro’s funding crisis. When federal relief funding is exhausted next year, Metro expects an operating deficit of $750 million in FY2025. The economics of transit operations mean Metro can’t bail itself out. Without regional action, Metro will be forced to make major service reductions impacting customers and the region at large. To continue positive momentum, regional leaders need to address Metro’s long-term structural deficit.

Interested Parties:

PFM Group Consulting, a leading transit agency advisor, worked with Metro to develop a long-range financial model.

Background:
Future financial planning for FY2025–2035 advances our Strategic Transformation Plan goals of service excellence, talented teams, regional opportunity and partnership, and sustainability.

By connecting people to possibilities, the region’s transit system enables a stronger economy, more access to opportunity, less congestion, and cleaner air.

Within the Compact area, 60 percent of the population, 70 percent of the jobs, and 50 percent of the employers are located within one half of a mile of Metrorail stations and bus stops. The concentration of new development around Metrorail is an indicator of the value placed on proximity to Metro. This includes 65 percent of new office development and 50 percent of new apartments within a half mile of Metrorail stations.

Metro is delivering on its commitment of service delivery and customers are responding positively.

- **Rail customer satisfaction is up 16 percentage points** to 84 percent over the same time last year, while **bus customer satisfaction increased 2 percentage points** to 71 percent.
- **Ridership continues to grow.** In May, Rail ridership reached 50 percent of pre-pandemic levels on weekdays, 89 percent on weekends; bus ridership reached 88 percent of pre-pandemic levels on weekdays and 93 percent on weekends.
- **Metro is adapting to how customers travel** with service changes to better meet customer needs by providing **more frequent all-day service.**
- The region is **investing in renewing and modernizing Metro.** Reinvestment has renewed assets and substantially reduced the state of good repair backlog.

While Metro and its peers have been temporarily sustained by federal relief funding that will be exhausted soon, most transit agencies are identifying significant and growing deficits beginning by FY2025. Some states and localities in conjunction with their transit agencies have acted to ensure adequate transit funding, such as New York State and New York City which reached a deal in May to close New York MTA’s funding deficit that would have begun in FY2024 at $1.6 billion growing to $2 billion by FY2026.

Currently, Metro operations are funded through fares and other revenues, state and local subsidies, and temporary Covid-related federal relief funding. Beginning in FY2020, along with other transit agencies, Metro sustained its operations through federal relief to offset lost revenue and increased costs resulting from the Covid-19 pandemic. Metro expects to exhaust its American Rescue Plan Act of 2021 (ARPA) funding in FY2024. Approximately one quarter of Metro’s FY2024 operations funded through these remaining federal relief funds.

**Discussion:**

Following the exhaustion of federal relief funding in FY2024, Metro expects an operating deficit of $750 million in FY2025. This is more than a one-year challenge. The deficit is projected to continue its growth through FY2035 even with continued ridership recovery.

**Deficit Drivers**
The $750 million deficit has three main drivers:

- **Jurisdiction Subsidy Credit:** At the onset of the pandemic, Metro provided support to jurisdictions in the form of a subsidy reduction and forgone three percent increases. Had Metro not provided this support, the jurisdictional subsidy would be $196 million higher in FY2025.

- **Decreased revenue since the pandemic:** Overall ridership is forecasted to be approximately 25 percent below pre-pandemic levels in FY2025. In addition, shorter distance and weekend trips, which result in less revenue than long-distance weekday trips, have seen the fastest recovery. These changes and related impacts to parking and advertising revenues are expected to continue to keep revenue below pre-pandemic levels in the short and medium term. FY2025 total revenue is expected be approximately $288 million below pre-pandemic levels.

- **Inflation and collective bargaining agreements:** Historic inflation caused by the pandemic and related supply chain impacts made everything more expensive, raising Metro’s personnel and non-personnel costs. The vast majority of Metro’s workforce which operates and maintains the system participates in collective bargaining. Metro must comply with mandated annual increases under the terms of the respective collective bargaining agreements, which indexes compensation levels to inflation. This cost growth is responsible for $266 million.

Due to the size of the $750 million gap, Metro cannot resolve the deficit by itself since the amount far exceeds the potential savings from what can be reasonably achieved through fare increases and service cuts.

Since 2018, Metro has taken actions to reduce expenses and grow revenue achieving an ongoing annual cost savings of $308 million through a combination of revenue opportunities and aggressive cost management. The draconian cuts needed to make an impact in the $750 million deficit will significantly harm riders and not resolve the structural financial issue.

Significant portions of Metro’s operations are fixed costs, expenses that do not vary directly based on service. The severity of these cuts would devastate this region, yet still not eliminate the funding deficit and would trigger a transit death spiral. Failure to invest in Metro’s future will impose significant impacts on customers, risking the quality, safety, and accessibility of the system.

- Rail and bus service would be cut 67 percent with no service after 9:30pm. All but 37 of 135 bus lines would be eliminated
- Remaining customers would experience 20- to 30-minute waits on all rail and bus lines
- Cuts to fixed-route service would reduce MetroAccess service area and operating hours

In addition to the direct service cuts, Metro would be forced to reduce maintenance, police, and customer service functions. Customers would experience severe crowding,
longer police response times, and more frequent elevator and escalator outages. Closing Metro’s funding deficit through fare increases would require unrealistic fare increases, with service cuts and fare increases potentially leading Metro into a death spiral of a loss of ridership. If this happens, transit’s value to the region is drastically reduced. These cuts would likely devastate our region.

A transit death spiral would hurt the region, resulting in longer wait times for buses and trains, worse traffic, reduced access to jobs and opportunity, and more pollution.

**Funding Impact:**

Metro’s FY2025 funding deficit is a major challenge that must be addressed.

**Previous Actions:**

No prior actions

**Next Steps:**

FY2025 budget development sessions and stakeholder and community engagement

**Recommendation:**

Information Only
Today’s Discussion

- Summarize the value Metro provides to the region
- Preview key points for decision makers and stakeholders on the significant structural deficit facing Metro beginning in FY2025
- Discuss the community and regional ramifications of not sufficiently investing in Metro
Metro and the Region
Metro Moves a Thriving Region

Your Metro, The Way Forward
Strategic Transformation Plan

Our Goals
Service Excellence
Talented Teams
Regional Opportunity & Partnership
Sustainability

Regional Outcomes
Economic Strength
Access to Opportunity
Less Congestion, Cleaner Air
Mobility for All
Metro and the Region are Growing Together

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

Sources: U.S. Census Bureau (2020, 2021); MWCOG Multifamily Rental Housing Construction Indicators Report (Oct. 2022); MWCOG Commercial Construction Indicators Report (Jun. 2022)
The Region is Investing in Renewing and Modernizing Metro

Capital investments have renewed system assets and substantially reduced the state of good repair backlog.

Overdue State of Good Repair Need ($B) & Capital Investment

Overdue need reduced by 30% to date

Includes state of good repair and modernization investment
Metro is Adapting to How Customers Travel

All day service better meets customer needs, providing more frequent daytime and late-night service all week.
Customers See an Improving Metro

Metro Customer Survey

Rail Customer Satisfaction

- FY22 Q4: 68%
- FY23 Q4: 84%
- Up 16% points

Bus Customer Satisfaction

- FY22 Q4: 69%
- FY23 Q4: 71%

Washington Post-Schar School Poll

D.C. region views Metro positively despite recent struggles, poll shows

Most area residents rate Metro 'good'

Q: How would you rate the Metro rail in the Washington, D.C., region? (Among those who ever ride Metro)

- Excellent: 12%
- Good: 62%
- Not-so-good: 14%
- Poor: 6%
- No opinion: 6%

Ridership is Growing

Source: Bus Ridership from Automatic Passenger Counters (APCs). Rail Ridership from taps until January 2023, when Metro began using faregate sensors to count total entries, including non-tap ridership. The gray dashed line represents tap-only ridership after January 2023.

**Metro and the Region**

- **Metrobus**
  - May 2023 - Ridership at 88% of pre-pandemic levels on weekdays, 106% on weekends

- **MetroAccess**
  - May 2023 - Ridership recovered to 56% of pre-pandemic levels
  - Serving a higher share of trips through convenient, lower cost Abilities-Ride program

**Metro**

- May 2023 – Ridership at 50% of pre-pandemic levels on weekdays, 91% on weekends
Metro Has a Lot More to Come

Key Highlights

**Better Bus Network**
Faster service to key destinations, expanded frequent network and 24-hour service.

**8000-Series Trains**
Higher capacity trains with open gangways, expansion options to provide more frequent service and comfort.

**Zero-Emission Buses**
Deliver service with zero tailpipe emission and develop the workforce of the future.

**Blue/Orange/Silver Study**
Address key system bottleneck to improve service and support a growing region.
Metro at the Precipice
"...the unfolding troubles of Metro potentially pose one of the gravest fiscal and political crises ever confronted by Washington."

- Make Metro Work, 1976

"It has long been understood that the lack of a dedicated revenue source is both unique and challenging for WMATA."

- Keeping Metro on Track,
The Brookings Institution, 2005
How Metro’s Operations Are Funded

**Fares and Other Revenues**
Revenue from passenger fares, parking, advertising, joint development and other activities.

Prior to the pandemic, approximately half of Metro's operations and maintenance were funded by these Metro-generated revenues.

**Federal Relief**
Temporary pandemic relief funding has balanced Metro's budget since late 2020 and runs out in 2024.

In FY2024, approximately one quarter of Metro's operations are funded by federal relief funds.

**State and Local Subsidies**
Contributions from Metro's funding jurisdictions in DC, MD, and VA have typically paid for half of Metro's operations and maintenance.

State law in MD and VA caps annual growth at three percent with limited exclusions.

**FY2024 Operating Funds**
- **54%** State and Local Subsidies
- **24%** Contributions from Metro's funding jurisdictions
- **22%** Fares and Other Revenues
A Nationwide Transit Crisis

Public Transit Goes Off the Rails With Fewer Riders, Dwindling Cash, Rising Crime

MBTA budget gap could hit $542M by 2028

M.T.A. Averts Fiscal Crisis as New York Strikes Budget Deal

A budget cliff is looming for CTA and Metra, and fare hikes and service cuts might not be able to fill it

Transit Agencies Turn to States to Avert Fiscal Cliff

SEPTA is running out of federal pandemic relief and expects this to be its 'last budget without service cuts and fare increases'
# Metro at the Precipice

## Metro is More Vulnerable than its Peers

Metro Alone Lacks Dedicated Operating Funding

<table>
<thead>
<tr>
<th>WMATA</th>
<th>NY MTA</th>
<th>BART</th>
<th>CTA</th>
<th>LA Metro</th>
<th>MBTA</th>
<th>NJ Transit</th>
<th>SEPTA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dedicated Sources(^1)</td>
<td>0%</td>
<td>37%</td>
<td>35%</td>
<td>57%</td>
<td>80%</td>
<td>59%</td>
<td>26%</td>
</tr>
<tr>
<td>State/Local Subsidies(^1)</td>
<td>53%</td>
<td>6%</td>
<td>3%</td>
<td>1%</td>
<td>14%</td>
<td>7%</td>
<td>4%</td>
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### Anticipated Deficit When Federal Covid Relief is Exhausted ($ in M)

<table>
<thead>
<tr>
<th></th>
<th>WMATA</th>
<th>NY MTA</th>
<th>BART</th>
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<th>MBTA</th>
<th>NJ Transit</th>
<th>SEPTA</th>
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<tbody>
<tr>
<td>FY2024(^2)</td>
<td>$1,600+</td>
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<tr>
<td>FY2025(^2)</td>
<td>$750</td>
<td>$1,600+</td>
<td>$100</td>
<td>$400+</td>
<td>$100+</td>
<td>$100+</td>
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<tr>
<td>FY2026(^3)</td>
<td>$830</td>
<td>$2,000+</td>
<td>$300+</td>
<td>$700+</td>
<td>$1,000+</td>
<td>$475+</td>
<td>$900+</td>
<td>$60+</td>
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Based on publicly available sources as of May 2023

\(^1\) FY2023 Budget
\(^2\) SEPTA Federal Relief depletes in FY2024. SEPTA using Stabilization Fund for FY2025 and FY2026
\(^3\) CTA amount for entire Chicago-RTA region
How BART and NY MTA Avoided Fiscal Collapse

<table>
<thead>
<tr>
<th>California</th>
<th>New York</th>
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<tbody>
<tr>
<td>• Maintenance of $4B general fund investment in transit capital, option to flex capital funding for transit operations</td>
<td>• Increase on Payroll tax ($1.1B annually)</td>
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<tr>
<td>• $1.17 billion over three years in flexible funds for transit capital or operations</td>
<td>• One-time payment of $300M for State</td>
</tr>
<tr>
<td>• $661 million Cap and Trade revenue ($331 million this year; $300 million in out years)</td>
<td>• New York City contribution of $165M annually for paratransit</td>
</tr>
<tr>
<td>• $200 million General Fund</td>
<td>• $400M in annual operating efficiencies</td>
</tr>
<tr>
<td>• $280 million Public Transportation Account</td>
<td>• Casino fees ($500M annually beginning FY26)</td>
</tr>
<tr>
<td>• Deal includes converting previously committed transit capital funds to flexible funds</td>
<td>Funding package and efficiencies enabled:</td>
</tr>
<tr>
<td></td>
<td>• More trains nights &amp; weekends</td>
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<td></td>
<td>• Reductions to proposed fare increase</td>
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<td></td>
<td>• Piloting of zero fare bus routes</td>
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<td>• Additional paratransit funding</td>
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</table>

Funding package and efficiencies enabled:
- More trains nights & weekends
- Reductions to proposed fare increase
- Piloting of zero fare bus routes
- Additional paratransit funding
FY2025: Unprecedented Operating Deficits Begin

Metro at the Precipice

Funding Deficit

More than 75% of deficit remains with fully recovered ridership

State and Local Subsidies

Total Expense

Federal Relief

Historic Inflation

Pandemic

Fares and Other Revenues

Projection as of June 2023

Total Funding

Potential Higher Revenue

FY19  FY20  FY21  FY22  FY23  FY24  FY25  FY26  FY27  FY28  FY29  FY30  FY31  FY32  FY33  FY34  FY35

$1.2B

$0.75B

$1.2B

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY
FY2025 $750M Deficit Drivers in Detail

**Jurisdiction Subsidy Credit**

**$196M**

At the onset of the pandemic, Metro provided support to jurisdictions in the form of a subsidy reduction and forgone 3% increases.

**Inflation & Collective Bargaining Agreements**

**$266M**

Metro’s contractual commitments and inflation soared by 10% in one year during the pandemic and FY2025 outlook assumes continued inflation of approximately 5%. Inflation from FY2024 to FY2025 grew on average about 5%.

**Decreased Revenue Since Pandemic**

**$288M**

Overall ridership forecast to be approximately 25% below pre-pandemic levels along with greater prevalence of shorter distance trips outside of weekdays. Parking and advertising revenues also impacted.
Dedicated capital funding borrowing capacity projected to be exhausted in FY2029 and new capital funding will be needed to address ongoing system safety, renewal and modernization needs.
Metro Can’t Close FY2025 Deficit by Itself

FY2025 Deficit Projected is More than 25 Percent of the Operating Budget

- FY2025 Deficit: $0.75B (29%)
- Funding Sources: $1.8B (71%)

FY2025 Deficit Far Exceeds Savings from Past Service Cuts and Fare Increases

- Pandemic Cuts
  - Rail headways increased from 6 to 8 min
- Fare Increases
  - +$0.25 bus
  - +$0.10 rail
  - +$0.10 parking

Projected Deficit: $0.75B

- FY25 Deficit: $2.58B
- FY22 Proposed Pandemic Cuts: $279M
- FY18 Fare Increases: $20M
- FY18 Service Reduction: $10M

Metro at the Precipice
Failure to Invest in Metro’s Future
Failure to Invest in Metro’s Future

Delivering a System Aligned with Customer Expectations
High quality, safe and secure, accessible

Beyond vehicle operations, Metro’s costs are mainly driven by the system footprint, not the amount of service operated.

Many activities to ensure safety of customers, employees and assets including compliance with safety and security standards, federal requirements, corrective actions, collective bargaining agreements.

Rail
- Operation and maintenance of railyards, track, structures, stations, signals, elevators/escalators, fare collection, etc.
- 24/7 control center
- Police/Security
- Custodians and facilities maintenance
- Customer service agents and ambassadors
- Safety, compliance, administrative support

MetroRail Metrics
- 128 miles of track
- 98 stations
- 642 escalators, 308 elevators
- 3,000 track circuits
- 100+ power substations & control rooms
- 1,300 railcars, 200 work vehicles

Bus
- Operation and maintenance buses, bus garages, fare collection, and other equipment maintenance
- 24/7 control center
- Police/Security
- Real-time data systems

Metrobus Metrics
- 9 bus operating divisions
- 1,600 buses
- 10,000 bus stops

MetroAccess
- Accessibility and customer service centers, reservations and scheduling, contract management and oversight
- 750 paratransit vehicles

Behind each train and bus operator, there are more people making Metro work.
Metro’s Cost Structure is Comparable to Our Global Peers

**Fixed Costs**
Costs that do not vary directly with service levels
e.g., infrastructure maintenance

**Variable Costs**
Costs that vary directly with service levels
e.g., vehicle operators

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**COMET**
Community of Metros Benchmarking Group

COMET is the global transit benchmarking group based in the United Kingdom

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**Failure to Invest in Metro’s Future**

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WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY
Aggressive Management Actions Have Created Savings

**Actions Taken to Create Savings**

- Healthcare cost-sharing
- Maximizing real estate assets
- Office consolidation
- Recovery plan, hiring/vacancy freeze, defer material supply purchase
- Elimination of positions through efficiencies and planned reductions
- Non-revenue fleet reduction, enhanced contractor management, call center consolidation (FY2025)

**Impact of Annual Management Actions**

- FY18: $98M
- FY19: $136M
- FY20: $186M
- FY21: $264M
- FY22: $293M
- FY23: $298M
- FY24: $308M
Balancing Budget with Service Cuts Would Devastate Region

Impacts of a 67% cut to Metro

• Worse service, quality, security, and accessibility
• Stops ridership recovery; below current capacity needs
  Could serve only 300,000 rail and 200,000 bus trips a day
• Triggers transit death spiral

<table>
<thead>
<tr>
<th></th>
<th>Ridership Impact</th>
<th>FTE Impact</th>
<th>Operating Budget Impact</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>-95M (-40%)</td>
<td>-5,300 (-41%)</td>
<td>Expense $-947M (-37%)</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Revenue $-197M (-37%)</td>
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<td></td>
<td>Net $-750M</td>
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<tr>
<td></td>
<td></td>
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<td>Deficit $0</td>
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Assumes Full Jurisdictional Subsidy

Note: amounts may not sum due to independent rounding
The Impact of a 67% Metrorail Service Cut

### Operational Reduction

<table>
<thead>
<tr>
<th></th>
<th>FY2024</th>
<th>67% Cut</th>
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</thead>
<tbody>
<tr>
<td>Trains in Service</td>
<td>124</td>
<td>52</td>
</tr>
<tr>
<td>Frequency</td>
<td>Day: 5-12 mins</td>
<td>Day: 20-30 mins</td>
</tr>
<tr>
<td></td>
<td>Night: 7.5-15 mins</td>
<td>Night: No service</td>
</tr>
<tr>
<td>Closing times</td>
<td>Weekdays: Midnight</td>
<td>Daily: 9:30 PM</td>
</tr>
<tr>
<td></td>
<td>Weekends: 1 AM</td>
<td>No special event service</td>
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### Customer Experience

- Severe Crowding & Denied Boardings
- Degraded Customer Service
- Dirtier Trains and Stations
- Reduced Police Presence/Patrols
- Reduced Elevator & Escalator Availability
- More administrative & compliance risk
The Impact of a 67% Metrobus Service Cut

### Operational Reduction

<table>
<thead>
<tr>
<th>FY2024</th>
<th>67% Cut</th>
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<tbody>
<tr>
<td>Bus Lines</td>
<td>135</td>
</tr>
<tr>
<td>Frequency</td>
<td>Peak: up to 6 mins</td>
</tr>
<tr>
<td>Operating Hours</td>
<td>Late Night &amp; 24-Hour Network</td>
</tr>
</tbody>
</table>

### Customer Experience

- **Discontinued Routes, Longer Wait Time**
- **Severe Crowding & Denied Boardings**
- **Degraded Customer Service**
- **Reduced Police Presence/Patrols**
- **More administrative & compliance risk**
- **Dirtier Buses**
MetroAccess Impacted by Rail and Bus Cuts

- Fewer customers and destinations served
- Reduced operating hours
- No service beyond regulatory requirements

Impacting hospital visits/VA, life-saving dialysis, and other trips, reducing the independence and quality of life of customers and their families who rely on us most.
Remaining Customers Would Endure Long Waits

Trains every 20 to 30 minutes on each line

**New Carrollton**
Weekday morning rush

FY2024: Trains every
7.5 minutes

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<th>LN</th>
<th>CAR</th>
<th>DEST</th>
<th>MIN</th>
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<tbody>
<tr>
<td>OR</td>
<td>8</td>
<td>Vienna</td>
<td>8</td>
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<tr>
<td>OR</td>
<td>8</td>
<td>Vienna</td>
<td>15</td>
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67% Cut: Trains every
30 minutes

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<tr>
<td>OR</td>
<td>8</td>
<td>Vienna</td>
<td>24</td>
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<td>OR</td>
<td>8</td>
<td>Vienna</td>
<td>54</td>
</tr>
<tr>
<td>OR</td>
<td>8</td>
<td>Vienna</td>
<td>84</td>
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</table>
Remaining Customers Would Endure Long Waits

Trains every 20 to 30 minutes on each line

Ronald Reagan Washington National Airport
Sunday afternoon

FY2024: Trains every 6 to 12 minutes

67% Cut: Trains every 20 to 30 minutes

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<td>YL</td>
<td>8</td>
<td>Mt Vernon</td>
<td>2</td>
</tr>
<tr>
<td>BL</td>
<td>8</td>
<td>Largo</td>
<td>5</td>
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<tr>
<td>YL</td>
<td>8</td>
<td>Mt Vernon</td>
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<td>Mt Vernon</td>
<td>16</td>
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<td>BL</td>
<td>8</td>
<td>Largo</td>
<td>22</td>
</tr>
<tr>
<td>YL</td>
<td>8</td>
<td>Mt Vernon</td>
<td>36</td>
</tr>
</tbody>
</table>
Trips Would Be Longer, Unreliable, or Impossible

A less useful network providing lower value to customers and the region

Edgewood to Downtown
Morning Rush Hour, Metrobus

- G8 Travel Time
  4th/Edgewood St NE to 9th/K St NW

- FY2024
  17 min
  Buses every 6 minutes

- 67% Cut
  No Service

No Service
Service Cuts Would Trigger a Metro Death Spiral

1. Insufficient funding leads to service cuts that reduce ridership
2. More riders abandon public transit as service declines
3. Revenue reduction from less ridership triggers additional cuts

Metro’s Value to the Region is Reduced, Structural Deficit Not Solved
A Transit Death Spiral Will Hurt the Region

More congestion, more pollution, and reduced economic competitiveness and quality-of-life

- Longer wait times for trains and buses
- Worse traffic
- Reduced access to jobs and opportunity
- More pollution
Next Steps

- Stakeholder and funding partner engagement
- Community information sessions
- FY2025 budget development process
Appendix
Appendix

About Metro’s Financial Model

**Ridership and Revenue**
- Total baseline ridership grows around 5% per year from FY25-30 and at 1 percent after FY30
- Better Bus and Metrorail Service Optimization projected to grow ridership by a total of 11 percent above baseline
- Assumes two percent fare increase every other year

**Expense**
- Current collective bargaining commitments (e.g. GWI, CPI)
- Personnel & Non-personnel: CPI 5% assumed in FY25 – 26, decreasing to around 3% in FY27 and beyond
- Revert to $60M preventive maintenance transfer for FY25 and beyond

**Subsidy**
- Assume 3 percent annual growth

Establish Financial Reserve Policy

**Inputs**
- Fares
- Subsidy
- Hotel Tax
- Income Tax
- Service
- Sales Tax
- Property Tax
- U.S. BEA

Developed by PFM Financial Advisors LLC, a leading advisor to transit agencies including:
- Chicago Transit Authority
- San Diego Association of Governments
- Los Angeles Metropolitan Transportation Authority
- Miami-Dade Transit

PFM Group Consulting LLC uses econometric forecasting techniques to provide short and long-term economic and revenue forecasting, and provides budgeting and financial planning to clients nationwide.

The PFM Group serves a broad range of clients in the District of Columbia, Maryland, and Virginia.
With the onset of the pandemic, Metro provided relief to the jurisdictions in the form of a subsidy reduction and forgone 3 percent increases.

Overall ridership forecast to be approximately 25 percent below pre-pandemic compared to 2019 along with greater prevalence of shorter distance trips outside of weekday peak periods. Parking and advertising revenues also impacted.

Metro’s contractual commitments and inflation soared by 10% in one year during the pandemic and FY25 outlook assumes continued inflation of approximately 5%.
# How People Are Using Metro

## Metrorail and Metrobus Riders’ Top Destinations in Q1 2023*

<table>
<thead>
<tr>
<th>Destination</th>
<th>Work</th>
<th>Family &amp; Friends</th>
<th>Shopping</th>
<th>Medical Visits</th>
<th>Pharmacy</th>
<th>Airport</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>51%</td>
<td>39%</td>
<td>44%</td>
<td>26%</td>
<td>24%</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Bus</td>
<td>Bus</td>
<td>Bus</td>
<td>Bus</td>
<td>Bus</td>
<td>Bus</td>
</tr>
<tr>
<td></td>
<td>55%</td>
<td>33%</td>
<td>14%</td>
<td>13%</td>
<td>2%</td>
<td>13%</td>
</tr>
<tr>
<td></td>
<td>Rail</td>
<td>Rail</td>
<td>Rail</td>
<td>Rail</td>
<td>Rail</td>
<td>Rail</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Activity Group</th>
<th>Federal Workers</th>
<th>K-12 and Post-Secondary</th>
<th>Travelers/Visitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Unique Metrorail Riders</td>
<td>17%</td>
<td>Approximately 9M trips (FY2023)</td>
<td>Estimated 3.5M+ trip to and from local airports (FY2023)</td>
</tr>
<tr>
<td>Active Unique Metrobus Riders</td>
<td>10%</td>
<td>13% of Metrorail riders (2022 Rail Survey)</td>
<td>8% of trips taken by individuals residing outside of the region (2022 Rail Survey)</td>
</tr>
</tbody>
</table>

*Base: All customers who rode Metrorail/Metrobus within 7 days prior to taking this survey. Measure: Types of trips taken within the past 7 days.

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**WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY**

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Appendix

Service Cuts Dramatically Reduce Job Access

A 67% decrease in transit service would result in a less useful network providing less value to customers and the region.

- **Metrorail**: service every 20 to 30 minutes on each line
- **Metrobus**: 98 lines eliminated; remaining 37 lines running at reduced frequency

Results in dramatic cuts to job access across the entire region.
Unaffordable Fares Would Decimate Ridership

<table>
<thead>
<tr>
<th>Potential Fares</th>
<th>Bus</th>
<th>Rail</th>
<th>Access</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Fare</td>
<td>$11+</td>
<td>$11–$33</td>
<td>$22–$35</td>
</tr>
<tr>
<td>Senior/Disabled/</td>
<td>$5.50+</td>
<td>$5.50–</td>
<td></td>
</tr>
<tr>
<td>Low-Income</td>
<td></td>
<td>$16.50</td>
<td></td>
</tr>
<tr>
<td>Monthly Pass</td>
<td>–</td>
<td>$349–$1,047</td>
<td>–</td>
</tr>
</tbody>
</table>

Illustrative examples. Contains unrealistic assumption of 50 percent elasticity

Example from Metro Center

<table>
<thead>
<tr>
<th>Destination</th>
<th>Fare ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addison Rd</td>
<td>21.00</td>
</tr>
<tr>
<td>Anacostia</td>
<td>12.80</td>
</tr>
<tr>
<td>Archives</td>
<td>12.25</td>
</tr>
<tr>
<td>Arlington Cemetery</td>
<td>12.25</td>
</tr>
<tr>
<td>Ashburn</td>
<td>32.70</td>
</tr>
<tr>
<td>Ballston-MU</td>
<td>15.80</td>
</tr>
<tr>
<td>Benning RD</td>
<td>16.90</td>
</tr>
<tr>
<td>Bethesda</td>
<td>19.35</td>
</tr>
</tbody>
</table>

*rounded to the nearest $0.05