



## MEMORANDUM

**TO:** COG Board of Directors  
**FROM:** COG Chief Administrative Officers (CAO) Committee  
Clark Mercer, COG Executive Director  
**SUBJECT:** COG CAO WMATA Cost Structure Work Group  
**DATE:** September 13, 2023

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At the COG Leadership Retreat in July, COG Board Members gathered to focus on addressing the fiscal challenges of the Washington Metropolitan Area Transit Authority (WMATA) and ensuring the Metro system is in a strong position to continue to serve the region. Members convened alongside other stakeholders in the region's transit network, including leadership from the legislative and executive branches of Maryland, Virginia, and the District of Columbia, setting the stage for a multi-pronged, coordinated effort to respond to the financial challenges identified by WMATA. Retreat participants noted the importance of a safe, reliable, and efficient public transportation system operated by WMATA as central to the region's well-being and growth.

The board has agreed to convene regional groups to collectively work on understanding the nature and magnitude, and identifying a path forward to addressing the financial challenge WMATA is facing to operate its public transportation service in the immediate term (FY 2025, beginning July 1, 2024) and beyond.

The CAO Committee accepts the immediate charge of working with the WMATA staff to conduct a thorough review of its operating funding needs to identify a consensus-based amount that WMATA and the region would focus on securing for FY 2025 and propose an approach to develop and fund WMATA's operations into the future. The CAO Committee previously led a technical analysis of WMATA's capital funding budget in 2016-2017, which helped build regional consensus and lay the groundwork for the 2018 dedicated funding agreement.

The CAOs met on August 2, 2023, to discuss the process for executing this work in a timely manner. The committee agreed to establish a workgroup of its members and other decision-making stakeholders. The committee was informed by WMATA's CFO during its meeting that WMATA's dedicated capital funding borrowing capacity is projected to be exhausted in FY 2029. The CAO committee agreed to investigate this matter as well. Details of the CAOs plans to undertake and complete this work are described below.

## WORKGROUP COMPOSITION

The CAO Committee has convened the COG CAO WMATA Cost Structure Work Group to take the lead in the review and analysis of WMATA operating funding needs with assistance from COG staff. The workgroup will provide regular reports to the CAO Committee and COG Board. The Work Group will include the following members:

- Chief Administrative Officer (CAO) from each of the 24 COG member local governments (or a designated representative)
- District of Columbia Chief Financial Officer and designated staff (serving as the lead technical analyst for the workgroup and to work with WMATA)
- WMATA Chief Financial Officer and designated staff
- A representative of each of the Transportation Secretaries of Maryland and Virginia
- A representative of the Washington Suburban Transit Commission (liaison between Maryland state, Montgomery County, Prince George’s County, and WMATA)
- A representative of the Northern Virginia Transportation Commission (which oversees WMATA services and represents the localities of Virginia who fund WMATA)

## **WORKGROUP TASKS**

1. A detailed examination of the operating budget and associated funding deficit identified by WMATA for its FY 2025 operations to identify and understand the underlying cost factors, service, and revenue assumptions leading to the funding deficit.
2. Develop a limited set of alternative operating cost estimates corresponding to changes to the cost factors, service, and revenue assumptions in WMATA’s FY 2025 operating budget.
3. Examine WMATA’s current Capital Improvement Program to better understand the adequacy of the capital funds, particularly the dedicated capital funds for state of good repair, to meet the future capital improvement needs. Identify any issues with adequacy of capital funds and identify options to address them.

## **TENTATIVE DELIVERABLES AND SCHEDULE**

The CAO Committee recognizes that WMATA faces an important deadline at the end of 2023 to develop a draft of its FY 2025 operating budget, by which time a consensus-based operating budget amount and a funding plan for the same would have been identified.

The CAO Committee will strive to develop an interim report, by end of November 2023, which would include (1) an assessment of the operating budget amount for WMATA’s FY 2025 based on addressing the deficit amount identified by WMATA; and (2) a limited set of alternative budget levels for FY 2025 reflecting changes to the cost factors, service and revenue assumptions.

The workgroup will continue examining opportunities to change current assumptions/practices associated with the service, fare, and other cost assumptions in developing future operating budgets and develop options to revise and enhance the current sources and process of funding WMATA’s operations that would provide for reliable and predictable operating funds in the future. The CAO Committee will strive to develop this final report by the end of May 2024.