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WMATA AFTER SAFETRACK

HEARING

BEFORE THE

SUBCOMMITTEE ON
GOVERNMENT OPERATIONS

OF THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM
HOUSE OF REPRESENTATIVES

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WMATA AFTER SAFETRACK

Wednesday, March 29, 2017

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT OPERATIONS,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, D.C.

The subcommittee met, pursuant to call, at 2:05 p.m., in Room 2154, Rayburn House Office Building, Hon. Mark Meadows [chairman of the subcommittee] presiding.

Present: Representatives Meadows, Hice, Blum, Connolly, Norton, and Lawrence.

Also Present: Representatives Comstock, Raskin.

Mr. HICE. The Subcommittee on Government Operations will come to order. Without objection, the chair is authorized to declare a recess at any time.

For roughly the past year, the Washington Metropolitan Area Transit Authority, or WMATA, has been working to respond to a serious safety wake-up call. Following a series of smoke- and fire-related incidents that bore unsettling similarities to the deadly L'Enfant Plaza incident, WMATA began an aggressive effort to repair the broken system. That effort known as SafeTrack has now completed the majority of its scheduled work and is scheduled to end this June.

There are approximately three months until the end of SafeTrack and the start of a new effort to remedy WMATA's problems and redeem the system in the eyes of passengers. Today's hearing will examine where SafeTrack was successful and where it may have failed in order to ensure that the next maintenance effort, Back2Good, lives up to its name.

This month, GAO released its report reviewing what SafeTrack did right and where it slipped. That review found that while SafeTrack appeared to be meeting repair goals, the planning for the program fell short. GAO found that SafeTrack's repair and maintenance efforts were based on incomplete inspection data. The result of this was that infrastructure that should have been high priority actually slipped through the cracks, creating further safety hazards. As a result, serious safety incidents continued to occur, including the East Falls Church derailment.

As WMATA begins to shift its efforts away from addressing deferred maintenance toward preventative maintenance, it's important that it apply lessons learned from SafeTrack's failures. WMATA's troubles are not limited to maintenance alone, however. The Back2Good program will focus heavily on integrating WMATA's newest 7000 series cars into its fleet. These new cars

will replace some of the oldest and least reliable cars in WMATA's fleet. However, there are serious questions about those 7000 series, their reliability, as well as the potential impact they are having on the rail infrastructure itself.

WMATA is also facing a troubling financial future. Recently, they adopted a budget for fiscal year 2018, which Mr. Wiedefeld characterized as a reality check. While WMATA may have escaped a serious financial crisis for the upcoming fiscal year, it did so only by the skin of its teeth. Many of the solutions used to address the dire financial reality WMATA faced will not be available in the future.

Rider rates are falling rapidly, and as a result, so too are its incoming revenues. These problems are not going to get better by themselves. WMATA must address not only its failing and falling revenues, but also its rapidly increasing expenses.

So I want to thank each of the witnesses for being here with us today. I look forward to hearing from you as we work to make WMATA safe, secure, and successful for the future.

And with that, I'll recognize Mr. Connolly, the ranking member of the subcommittee, for his opening statement.

Mr. CONNOLLY. Thank you, Mr. Chairman, and thank you for that very thoughtful opening statement. And I thank my friend, Mr. Meadows, the chairman of our subcommittee, for his support on exploring this issue and trying to find common ground for solutions.

And I want to welcome our panel where we can talk about both where we've been, but more importantly, where are we headed. Today, we'll examine the shortcomings and benefits of the yearlong WMATA rehabilitation program known as SafeTrack as outlined in the GAO report, which we requested.

This report called, "Improved Planning of Future Rehabilitation Projects Could Prevent Limitations Identified with SafeTrack," a long title, confirmed that SafeTrack will not fix all of WMATA's systemic and organizational deficiencies, nor was SafeTrack intended to. But we should welcome GAO's assessment that SafeTrack demonstrates WMATA's commitment to preventative maintenance, including the repairing of track assets before they break and cause more cost and safety impacts.

The report identified some concerns with SafeTrack, both in planning and implementation, and I might add, communication with the public and local leaders. While preparing for SafeTrack, WMATA did not collect adequate data on the condition of rail and nonrail assets, did not consider the cost or potential impact on safety outcomes or alternatives—of alternatives to SafeTrack, and provided limited advance notice to local stakeholders about the significant disruption SafeTrack that would cause.

However, WMATA has improved. The collection and monitoring of work performance data enhanced communication with local jurisdictions, established independent reviews of SafeTrack, and has responded quickly to concerns raised by its safety regulator, the FTA.

I look forward to hearing from WMATA, GAO, and my colleagues on ways in which we can promote the adoption of GAO's recommendations as we move forward.

We should also use this opportunity to examine the broader challenges facing the Nation's transit system and better understand the resources urgently needed to reestablish Metro as a safe, reliable transit system that serves the people of the metropolitan capital region, the Federal workforce, and the 19.3 million visitors who come to the Nation's capital every year.

It should come as no surprise that a congressional committee tasked with ensuring the efficiency of the Federal Government and the safety of its workforce has vested interest in the success of this transit system because it delivers more than one-third of our Federal workforce to work every day.

In March 2016, when Metro announced it would shut down for 24 hours to conduct emergency inspections, the first question on everyone's mind was how will the Federal Government operate? The Office of Personnel Management, what would it do to accommodate the closure? Unlike any other transit system in the United States, that was a question we had to ask.

The Federal Government is the primary stakeholder in this transit system, and I certainly look forward to working with my colleagues on both sides of the aisle to ensure that that Federal workforce and that Federal support for Metro is commensurate to its fundamental reliance on the system. We're the biggest beneficiaries.

For several years now, WMATA has been a system in crisis, all lights blinking red. The lack of a strict safety culture has resulted in derailments, falsified track inspection reports, fires, major track defects, and has actually claimed lives. Reliability concerns and the crisis in customer confidence are depressing ridership, as the chairman indicated, by a magnitude that is driving down national transit ridership numbers now. And new fare increases, coupled with service cuts, are expected to claim as many as 14 million trips in fiscal year 2018.

Members of the WMATA board of directors at times seemed to have been incapable of resuscitating, much less managing Metro. As someone who has spent more than 22 years working on Metro-related issues, including rezoning property around Metro stations to maximize their potential, approving local operating subsidies, helping create local tax districts to fund construction of the Silver Line, it has been personally painful to me to watch the dysfunction at Metro imperil the transit system our region takes so much pride in. And I want to see a restoration of the competence in the system.

General Manager Wiedefeld deserves credit for taking decisive action to promote system safety. After successive asset failures in the spring of 2016, he implemented a 24-hour shutdown of the system and later unveiled SafeTrack. By the end of SafeTrack, WMATA will have completed 3 years of maintenance in 1 year, including the replacement of 50,000 rail ties.

In the wake of the March 15 shutdown, I cautioned Mr. Wiedefeld that this cannot be the answer long term. You get to shut down the entire system once, but you don't get to do it again, at least with any credibility, and I know he agreed.

The completion of SafeTrack, a new industry standard preventative maintenance program, the Back2Good program, and the soon

to be established Metro Safety Commission must cure what ails Metro's safety culture.

But let me end on this. All of this is important, and we still have to address other safety things not addressed by SafeTrack, like you pointed out, Mr. Chairman, the safety of the existing railcar fleet. But in the long run, stability to Metro is going to be about financial stability. Can we have a stable, dedicated source of revenue that will allow general managers in the future and boards to make enlightened decisions that anticipate our needs in the future? The tin cup approach to financing Metro has to end. It doesn't work anymore.

Right now, Metro is dependent on two sources of revenue: Increasing operating subsidies from the contract members, not including, unfortunately, the Federal Government, and secondly, fare rate increases. And there's a limit to that elasticity demand.

And so I look forward to this conversation today because I think there are some profound questions we have to face far beyond SafeTrack, though that's important. And I think you've touched on a lot of them, Mr. Chairman, and I certainly look forward to working with you, as well as my friends on the other side of the aisle, to find a solution of the Nation's capital metro system.

I yield back.

Mr. HICE. I thank the gentleman.

The chair notes the presence of one of our colleagues from the House of Representatives. We appreciate very much your interest in the topic today and welcome your participation.

I would ask unanimous consent that Mr. Raskin from Maryland be allowed to fully participate in today's hearing. And without objection, so ordered.

Glad to have you today.

Mr. CONNOLLY. Mr. Chairman, could I also ask that Mr. Delaney of Maryland be added to that list as well?

Mr. HICE. Without objection, so ordered.

Mr. CONNOLLY. I thank my friend.

Mr. HICE. Yes, sir.

We'll hold the record open for 5 legislative days for any members who would like to submit a written statement.

We'll now recognize our panel of witnesses. I'm pleased today to welcome Mr. Paul Wiedefeld, the general manager of Washington Metropolitan Area Transit Authority; Mr. Dennis Anosike, chief financial officer of the Washington Metropolitan Area Transit Authority; and Mr. Mark Goldstein, Dr. Goldstein—thank you for joining us—director of physical infrastructure issues for the U.S. Government Accountability Office.

We welcome each of you and appreciate your participation.

Pursuant to committee rules, all witnesses will be sworn in before they testify. So if you would, please stand and raise your right hands.

Do you solemnly swear or affirm that the testimony you're about to give will be the truth, the whole truth, and nothing but the truth?

Thank you very much. You can be seated.

Please let the record reflect that the witnesses answered in the affirmative.

In order to allow time for discussion, we would appreciate very much if you would please limit your testimony to 5 minutes. Your entire written statement will be made part of the record.

And with that, Mr. Wiedefeld, we will get started. I'm honored to recognize you for 5 minutes.

WITNESS STATEMENTS

STATEMENT OF PAUL WIEDEFELD

Mr. WIEDEFELD. Good afternoon, and thank you, Vice Chair Hice and Ranking Member Connolly and members of the subcommittee. I am Paul Wiedefeld, general manager and CEO of WMATA, known as Metro. With me today is Metro CFO Dennis Anosike.

Since I appeared before this committee on December 2, 2016, Metro continues to make progress on our top three priorities, which are to improve safety, service reliability, and fiscal management. In particular, I am especially pleased with our advancements in implementing corrective action plans and recommendations of the FTA and the NTSB and the results we're seeing from SafeTrack.

As you know, SafeTrack accelerates 3 years' worth of work into approximately 1 year. Twelve of the 16 SafeTrack surges have been completed, and the work that has been accomplished under SafeTrack has been significant.

For example, over 28,000 wooden ties have been replaced, which is more than was done in the past 2 years alone. Over 20,000 linear feet of grout pad have been replaced, which would have taken 2-and-a-half years to accomplish. In addition to the track work that is the primary focus of SafeTrack surges, we are working across the system to address issues like the water intrusion in the Red Line.

As a result of these actions, we reduced track-related delays by 7 percent in 2016, including delays caused by smoke, fire, and arcing insulators. To sustain this progress, at the conclusion of SafeTrack, we will begin an industry standard preventive maintenance program to further reduce service disruptions due to track failures and create opportunities to identify and repair track problems before they disrupt daylight time rail service.

I want to thank the GAO for their highly professional manner in which it conducted its review of SafeTrack. As noted in our letter, we—which accompanied the GAO report, Metro concurs with the findings and conclusions in the report and is already working to address the recommendations.

However, we are concerned that the report does not accurately reflect the true level of crisis and urgent safety challenges the agency was facing almost 1 year ago. Metro needed to make real-time decisions to address urgent NTSB recommendations and FTA safety directives. We moved swiftly and worked closely with FTA on the SafeTrack plan and schedule.

Turning to our financials. Last week, the Metro board approved the fiscal year 2018 capital operating budgets. We closed a projected $290 million shortfall with management actions to improve efficiency and reduce Metro's head count, reductions in rail and bus service, fare increases, and increased local jurisdiction funding. The fiscal year capital budget builds on the success of improved investments with $1.2 billion in critical safety and reliability work.

As you may recall, in recent years, the agency was not spending all of its funding program for capital projects. In fiscal year 2015, it spent only 65 percent. In fiscal year 2016, this was improved to 85 percent. And in the current year, we will be spending 100 percent of the program capital dollars. The PRIIA commitment of $150 million from the Federal Government, matched by $50 million from each of the State of Maryland, the Commonwealth of Virginia, and the District of Columbia, represents approximately 25 percent of Metro's capital budget.

Due to this generous support of the Congress, new safe and more reliable trains are serving more customers. Over the past year, we have delivered over 300 new railcars, 7000 railcars, going from 8 to 20 cars per month.

With the approval of the fiscal year 2018 budget, we need to turn our attention to addressing Metro's long-term financial challenges. Recognizing that we are at a critical juncture, I have already begun to determine Metro's capital and operating requirements going forward and will come out with those next month. We have been and will continue to work with the stakeholders in the region as we move forward in solving some of the long recognized financial issues facing the agency.

Finally, while my written testimony provides more detail, I would like to highlight our Back2Good initiative, which focuses on actions to improve the customer experience and reliability of service.

We have established specific performance measures, which I will hold all Metro employees accountable for achieving. For example, our goal is to reduce passenger offloads dueto railcar failures by 25 percent. We will do this by increasing the number of 7000 series trains while retiring the 1000 and 4000 series, our oldest, least reliable, and a safety concern by the end of 2017, and focusing the remaining legacy fleet to—focusing on the remaining legacy fleet to reduce delays associated with propulsion, doors, and brake issues.

Another goal is to reduce customer delays from track defects by 50 percent. This will be done as we complete SafeTrack and improve and move forward with that preventive maintenance program.

I will close by thanking Congress for your continued support of Metro through Federal funds, particularly the PRIIA funds, which are invested in long-deferred improvement to the system. You have my full commitment that I will continue working to get Metro back to good.

[Prepared statement of Mr. Wiedefeld follows:]

Testimony of Paul J. Wiedefeld, General Manager and Chief Executive Officer of the Washington Metropolitan Area Transit Authority

Before a hearing of the Subcommittee on Government Operations under the Committee on Oversight and Government Reform

U.S. House of Representatives
Wednesday, March 29, 2017

Good afternoon, Chairman Meadows, Ranking Member Connolly and Members of the Subcommittee. Thank you for the opportunity to testify today. I am Paul Wiedefeld, General Manager and Chief Executive Officer of the Washington Metropolitan Area Transit Authority (WMATA), known as Metro.

Since I appeared before this committee on December 2, 2016, Metro continues to make progress on our top three priorities of improving safety, reliability and fiscal management. In particular, I am especially pleased with our advancements in implementing SafeTrack and the Federal Transit Administration (FTA) and National Transportation Safety Board (NTSB) recommendations.

On the financial side, on March 23rd, the Metro Board passed our FY18 capital and operating budgets. But as important as that approval was, Metro and the Region still face looming financial issues.

Given the constrained budgets at the local, state, and federal levels of government, combined with negative impacts of raising fares, it is critical that we now turn to resolving Metro's long-term capital funding needs, and Metro's unsustainable cost model.

Simply put, much more needs to be done to address funding needs and control costs that management actions alone cannot solve.

Recognizing that we are at a critical juncture, I have already begun to determine Metro's capital and operating requirements going forward and will come out with those next month.

The requirements and recommendations I lay out will be specific, actionable, and ambitious in terms of providing the tools we need to effectively manage this agency and to safely and efficiently deliver reliable service to our customers.

I am working with the Board and other stakeholders in the Region as we move forward in solving some of the long recognized financial issues facing the agency so we can provide the kind of Metro system required for the economic future of the Region and that provides the quality service our customers deserve.

Response to the Government Accountability Office (GAO) Report

Recently, the Government Accountability Office (GAO) provided the report the committee requested entitled: Washington Metropolitan Area Transit Authority; Improved Planning of Future Rehabilitation Projects Could Prevent Limitations Identified with Safe Track (GAO 17-348).

We want to thank the GAO for the highly professional manner in which the review was conducted. We appreciate the diligent effort by the GAO team representing the Physical Infrastructure and General Counsel Offices and are pleased to have worked closely with them.

As noted in our letter which accompanied the GAO report, WMATA concurs with the findings and conclusions in the report and is already working to address the recommendations. However, we are concerned that the report does not accurately reflect the urgent safety state that demanded that we move as quickly as possible to start SafeTrack. The report does not clearly express the true level of crisis and safety challenges the agency was facing almost one year ago.

WMATA needed to make real time decisions to address urgent National Transportation Safety Board recommendations and Federal Transit Administration Safety Directives. Correspondence from Federal Transit Administration's (FTA) Acting Administrator to WMATA leadership dated May 11, 2016 underscored the pressing nature of the situation, "During the Federal Transit Administration's (FTA) recent investigations and inspections of the Washington Metropolitan Area Transit Authority (WMATA) Metrorail system, FTA safety oversight officials have identified track locations where urgent repairs are required to reduce the risk of smoke and fire events and to ensure the safety of passengers and employees." We moved swiftly and worked collaboratively with the FTA on the SafeTrack plan and schedule. In fact, the FTA directed adjustments to the schedule based on its assessment that segments of our infrastructure needed to be repaired immediately rather than toward the end of the program.

FTA did not ask us to delay the commencement of SafeTrack, nor were concerns expressed regarding the level of project planning prior to implementing this initiative.

I want to reemphasize what we have said since the beginning of the SafeTrack program --- SafeTrack was never intended to address all of our state of good repair track needs in one year. The stated goal was to accelerate the return to a state of good repair, not achieve it in one year. When SafeTrack is completed, Metrorail will be a 40 year old heavy rail system whose track infrastructure has been rehabilitated.

The report points out that WMATA developed three alternatives for SafeTrack, but does not emphasize the integral role of track time in determining the final schedule. Prior to SafeTrack, the Metrorail system was closed only 33 hours each week, providing little time for maintenance

and inspections. By contrast, in 1998 when the Metrorail system was roughly 20 percent smaller, had 12 fewer stations and was under less stress (i.e. by running shorter trains less frequently), the system enjoyed 25 percent more maintenance time – 44 hours per week. Adjusting Metrorail operating hours and increasing track access has enabled Metro crews to properly maintain and rehabilitate tracks and signals, mitigate water intrusion and complete other safety-critical maintenance and inspections beyond the completion of SafeTrack. The change will also reduce the risk of disruptive shutdowns for extensive repairs. Maximizing track time was a key consideration in SafeTrack planning.

While the report discusses the planning processes undertaken by other transit agencies for major capital projects, we appreciate the acknowledgement by GAO that "the information gathered from these entities is not generalizable to all transit agencies." Industry best practices and sharing of information with other transit agencies are of great value, but the unique nature of the challenges WMATA faced a year ago called for an equally unique response.

The work that has been accomplished under SafeTrack has been significant. Highlights of the work completed to date include:

- Work and productivity rates have met or exceeded what was originally planned.
- 12 of the 16 SafeTrack surges have been completed.
- Over 28,000 ties have been replaced, more than done in the past 2 years combined.
- Over 25,000 fasteners have been replaced.
- Over 20,000 linear feet of grout pad have been replaced, which would have taken 2.5 years to accomplish under previous maintenance access.
- By the end of SafeTrack, over 50,000 ties will have been replaced, reducing the number of defective ties to under 5,000.

In addition to the track work that is the primary focus of SafeTrack, we are taking advantage of the Surges to advance a number of other projects. We have made significant advancements on inspecting ETS boxes (286 to date), replacing high voltage cables (1010 to date), refurbishing signals (76 to date), repairing tunnel lights (1368 to date), and inspecting Intrusion Detection Warning (IDW) boxes (2631 boxes to date). All of this work has been done by capitalizing on the outages to deliver other work that would have required a separate event to access the roadway.

The other component of SafeTrack, outside of the Surges, has been focused on the Red Line to address the water incursion conditions which have required single tracking in the evenings and at times speed restrictions. A crew that has been dedicated to this area since July of 2016 has made significant progress improving this section by cleaning drains and removing debris, as water and mud are leading causes of deterioration of the track and underlying structure. The expanded work window created by the early closures and late night single tracking scheduled as part of SafeTrack is being leveraged to complete the added work.

We are making progress. In 2016, we reduced track-related delays by seven percent, including delays caused by smoke, fire or arcing insulators (compared to previous year). In addition, by the end of calendar year 2017, nearly 20 percent of all track in the Metrorail system will be refurbished under the SafeTrack program.

As we work to improve Metro, I have sought to make it clear to our customers, employees, and the entire region that "Safety Trumps Service". This message has been communicated across the Authority and we are seeing results. While speed restrictions and other safety actions may be inconvenient, these actions are evidence that safety is now our number one priority.

Preventive Maintenance Program

We have achieved significant progress with the SafeTrack program; however, it is not a cure-all on its own. To sustain progress, we must provide adequate track time to address the FTA recommendations, which include maintaining the rehabilitated tracks and signals; mitigating water intrusion; maintaining lighting, fans, and other life-safety systems; testing and inspecting equipment; and conducting training in emergency preparedness. During a November 3rd WMATA Board committee meeting, a preventive maintenance program (PM) was presented to explain exactly how we will use the night-time hours and why the work is needed to operate a safe system. In December, the Board approved the change in service hours necessary to implement an industry-standard preventive maintenance program.

This program will reduce service disruptions due to track failures such as insulator fires, cable fires, broken joint bars, and broken fasteners. Further, this program will create opportunities to identify and repair track problems before they disrupt daytime rail service.

The additional time will allow for new preventive maintenance programs, including quality control and quality assurance, basic maintenance tasks prescribed by our standards and industry best practices, as well as benefiting capital programs. At the conclusion of SafeTrack, Metro will commence industry standard PM programs. Prior to SafeTrack, these critical programs had either been inadequately implemented or not carried out to a degree sufficient to deliver meaningful results. The five PM programs that Metro will initiate after SafeTrack are:

- Systemwide Tamping and Surfacing (T&S)
- Interlocking Component Maintenance
- Mechanical Joint Maintenance
- Traction Power Cable Meggering
- Earth to Ground Stray Current Testing

We also recognize that having adequate internal controls in place to ensure these programs are effective in meeting stated quality objectives is key to achieving the intended state of good repair. To this end, in October 2016, we established an independent internal compliance department that reports directly to me, providing quality assurance and oversight of maintenance programs such as these. This internal compliance function, overall, is intended to promote compliance with internal policies and procedures, external laws, regulations and directives while adding greater accountability and transparency to Metro's compliance and internal control activities.

Budget

On March 23rd, the Metro Board of Directors approved the FY2018 operating and capital budgets and the FY2018-2023 Capital Improvement Program (CIP). Our three priorities of safety, service reliability, and fiscal management guided the development of the FY2018 budget and informed every key decision. The approved budgets and CIP are the product of significant public input and Board deliberation following the presentation of initial operating and capital budgets in November and December of 2016.

Though we have just completed the FY18 budget process, we must turn our attention to an even greater financial challenge expected in FY19 and beyond. Metro will commit to using our resources to efficiently rebuild the system and get back to good. At the same time, as we look to FY19, the region will have to consider what type of Metro system it wants and how the region would like to provide the resources necessary to operate and maintain the system.

As I mentioned at the beginning of my testimony, but I want to reiterate, in the coming weeks I will release an analysis of Metro's operational and funding needs, including a year-by-year breakdown of how much money Metro will need for both operating and capital. We will seek to work cooperatively with regional leaders to solve the long-term funding problems facing Metro.

FY2018 Operating Budget

The FY2018 budget funds key safety improvements, improves train and track reliability, and enhances the customer experience. The budget closes a $290 million gap through a significant reduction in Metro employee headcount and other management actions; right-sizing of bus and rail service to current ridership levels; a fare increase; and an increase in funding from the jurisdictions.

Daily ridership on bus and rail declined significantly in FY2016 in response to poor service quality and reliability as well as external factors. The impacts of SafeTrack are likely to keep ridership at this lower level throughout FY2017 and into FY2018.

Further compounding the situation, labor costs have continued to rise for many years due to contractually-required wage increases and growing headcount to support service expansion as well as maintenance on the aging system. As ridership has stagnated or declined, fare increases and jurisdictional subsidy growth have made up the gap between expenses and revenues.

On the management side, the budget reduces WMATA's headcount to the level of service it provides. The ridership levels and constrained jurisdictional funding cannot support our current headcount. Beginning in FY2017, 500 positions were eliminated and the fiscal impact of this reduction will be fully realized in FY2018. The FY2018 budget includes a reduction of an additional 300 positions – 200 primarily in various management, administrative, and back-office operations throughout the Authority, and 100 in operations personnel as a result of right-sizing bus and rail services. These 800 positions represent a six percent reduction in total Metro headcount.

Given current ridership levels, Metro can reduce its rail service and remain within Board-approved standards for crowding. Therefore, the FY2018 Operating Budget increases scheduled peak period headways on the Orange, Silver, Green, Yellow, and Red Lines from six to eight minutes, with trains operating every two to four minutes at stations in the system's core. Scheduled headways on the Blue Line will be improved from 12 to eight minutes, and the Rush Plus Yellow Line service will be eliminated.

The FY2018 operating budget also includes fare adjustments that will balance the need to generate adequate revenue against the ridership impact. The fare increase is expected to generate approximately $20 million in net additional revenue, after accounting for a loss of approximately 10 million total trips as a result of the increase. While the Board chose to postpone fare increases for one year in FY2017, this proposal is consistent with the overall Board policy regarding fare increases, which recommends biennial fare increases linked to inflation. Metro's last broad-based fare increase occurred in July 2014 as part of the FY2015 budget.

Between the bus and rail service reductions, ridership is projected to decline by an estimated three to four million trips annually. Combined with the impacts of the proposed fare increases, Metro annual ridership is expected to decline by 13 to 14 million trips.

Of particular importance to this Committee, Metro will decrease reliance on federal funds for preventive maintenance. As you know, in the FY17 budget, Metro utilized an FTA-approved, and common industry practice, of utilizing federal grant funds for certain eligible "preventive maintenance" expenses that would otherwise be funded through the operating budget. WMATA Board practice had generally limited FTA grants for PM to approximately $31 million annually prior to FY2017. For FY2017, the Board increased the amount of eligible PM expenses that could be funded with FTA grants from $31 million to $95 million. For FY2018, the budget reduces the use of these funds to $60 million. I intend for FY18 to be the last year that the use of FTA grant funds for preventive maintenance would exceed historical practice and, by FY2019, only the traditional $31 million of grant funding would be used for this purpose.

The Board made some important revisions to the FY2018 operating budget compared to what was originally proposed in November. These revisions include the restoration of proposed cuts in off-peak Metrorail service and on many Metrobus routes. Specifically, the budget:

- Restores off-peak rail: The proposed Metrorail service reductions in the off-peak, including a headway increase from 12 to 15 minutes and the reduction in Red Line service beyond Grosvenor, have been removed from the budget.
- Restores selected bus service: Service on some key bus routes that had been targeted for reduction or elimination has been restored in the FY18 budget, primarily in Virginia and Maryland. Fewer routes will be completely eliminated – instead, service frequency is reduced and some routes now terminate at Metrorail stations rather than continuing into downtown. These changes also ensure that the service area for MetroAccess remains unchanged, so that no current paratransit user is left without service.
- Keeps 7-day bus pass price unchanged: The 7-day unlimited bus pass is Metro's most popular pass product. The pass is convenient, easy to purchase, and

important for many low-income riders across the region. By keeping the price of this pass the same, the impact of the base bus fare increase is mitigated for many of Metro's most frequent bus customers.

These changes reflect Metro's response to the feedback received from riders during the public hearing and outreach process.

The budget also incorporates recently announced initiatives to control absenteeism, workers' compensation costs, and overtime. Additionally, the budget advances a plan to begin to address Metro's unfunded liabilities for other post-employment benefits (OPEB), including retiree healthcare. Metro's current unfunded OPEB liability is approximately $1.8 billion, and Metro has no funds set aside for these future expenses – all benefits are funded on a pay-as-you-go basis. The revised FY2018 budget authorizes the creation of an OPEB Trust for the pre-funding of benefits, to be funded in FY2018 by anticipated expense savings (up to $3 million in FY2018) resulting from the initiatives to control absenteeism, workers' compensation, and overtime. The OPEB Trust will be established by the fourth quarter of FY2018 if sufficient savings are achieved.

The FY2018 operating budget totals $1.825 billion and is funded with $845 million of projected operating revenues, primarily from passenger fares, parking fees, and advertising revenues, and with $980 million of jurisdictional subsidy.

FY2018 Capital Budget and FY2018-2023 six-year CIP

I am pleased that Metro's rate of capital program investment continues to improve. Over $1 billion was invested through the FY2016 CIP, and we forecast that between $1.1 and $1.2 billion will be invested in FY2017. The FY2018 capital budget will build on this success and invest $1.25 billion in critical safety and reliability work. The six-year CIP invests $7.2 billion in rebuilding our infrastructure to a state of good repair. Planned investment under the FY2018 capital budget includes $528 million for railcars, $127 million for rail systems including state of good repair rehabilitation and a new radio and wireless communication infrastructure, $113 million for track and structure state of good repair, $191 million for station and passenger facility improvements, and $211 million for bus and paratransit. These capital investments will ensure WMATA can continue to improve safety and reliability. The PRIIA commitment of $150 million from the federal government, matched by $50 million each from the State of Maryland, Commonwealth of Virginia, and the District of Columbia, represents approximately 25% of Metro's capital budget.

The capital budget also includes the establishment of a structured Development and Evaluation (D&E) program for major capital projects, including Red Line Water Remediation; 2000/3000 Series Railcar Replacement; Red Line Core Capacity; Tunnel Ventilation; Bladensburg/Northern Bus Garage Rebuild or Replacement; and Metro Office Facilities. Before major capital projects move to the construction or acquisition phase, the D&E program will ensure that projects have clearly defined scopes, schedules, and cost estimates are completed, and that appropriate consideration has been given to risks and alternative solutions.

The FY2018 capital budget is funded by approximately $461 million in expected federal grant funds, including $313 million from federal formula grants and other smaller discretionary grant programs, as well as $148.5 million from PRIIA. The formula and discretionary grants generally require a 20 percent local match, while the PRIIA funds require a 50 percent match, so the total required match to federal grants in FY2018 will total approximately $226 million. In addition to providing the required match to federal grants, Metro's funding jurisdictions also contribute additional capital funds and participate in Metro's long-term debt issuances.

The FY2018-2023 CIP Financial Plan assumes continued federal grant funding at current levels ($2.8 billion over the six-year period) and $4.1 billion of jurisdictional investment and long-term financing.

Back To Good

In December, I announced my plan for getting Metro Back 2 Good. My goals, which I will hold all Metro employees accountable for achieving, are to continue to improve safety, reduce delays and offloads from track defects and rail car failures, and balance the budget.

On service, customers will be pleased when we cross the SafeTrack finish line and move to preventive maintenance, as I mentioned earlier. Preventive maintenance is the "anti-SafeTrack" that prevents emergency conditions and will begin to cut in half infrastructure related delays.

Next, we will accelerate the retirement of the oldest and most unreliable cars, commission a total of 50 new trains, implement targeted repair campaigns of defective components on the legacy fleet, and rebalance the rail yards to minimize missed terminal dispatches. By the end of 2017, all 8-car trains will be 7000 series consists and all 1000 series cars will be retired. Metro will also complete component fixes on legacy fleet – 2000, 3000, 5000 and 6000 series cars, including HVAC, propulsion systems, and pneumatic brakes to reduce train offloads during the customers' journey.

Due to the generous support of Congress, new safer, more reliable trains are serving more customers. Over the past year, delivery of new 7000 series rail cars from Kawasaki's Nebraska plant was accelerated from eight to 20 cars per month. The 7000 series cars operate as 8-car train sets and, today 38, 7000 series train sets are in passenger service.

The Railcar Get Well Plan will reduce passenger offloads and delays by at least a quarter by the end of 2017.

Indeed, we are already seeing results. Railcar-related offloads were down 17 percent in 2016 compared to the previous year and railcar-related delays were down 13 percent.

In addition, we will make our stations cleaner and brighter, and improve station management, to better serve customers. For example, instead of every four years, all 91 stations will be power washed, scrubbed, and polished annually – improving the surfaces commuters touch and walk on. Each station has been assigned a "champion" among senior managers to

work with station personnel to ensure internal coordination of timely repairs to equipment and systems. Additional station improvements, along with adoption of peer review recommendations to improve rail operations, will enhance the customer experience.

On safety, Metro will continue our progress to address FTA and NTSB recommendations. We will also adopt new software onboard trains to prevent an inattentive operator from passing a red signal by requiring the operator to perform multiple sequential actions before they can move their train as well as implementing a cap on the maximum speed that trains can attain to prevent over speeding.

In addition, stations that have the highest frequency of red signal overruns are having their signals upgraded to LED bulbs to improve their visibility to operators and prevent overruns. We will begin using enhanced technology for roadway worker protections in hazardous areas. Specifically, we were pleased to receive a grant from the FTA to implement new "wearable" technology that will provide bi-directional communication between employees operating the trains and employees working on the tracks. As I will discuss in more detail in a moment, Metro will complete work on schedule for installing the public radio system and activating cellular service in the tunnels as work is completed, with certain Blue/Orange and Red line segments coming online in 2017.

And on financial management, as I discussed, my budget proposes numerous steps to reduce expenses. These include eliminating positions and outsourcing functions. We will institute the Abilities-Ride pilot program for Maryland paratransit customers to demonstrate whether utilization of transportation service companies could provide cost savings as well as greater flexibility to the customer.

Safety and Financial Update

I would like to take this opportunity to address some other safety and financial items that may be of interest to this Committee.

Federal Transit Administration (FTA) Financial Audit and Safety Recommendations

Since FTA issued its Financial Management Oversight (FMO) report findings on June 10, 2014, WMATA has complied with all 45 recommendations and provided timely submittal of the required 65 Corrective Action Plans (CAPs) to address the findings. However, the FTA has explicitly stated that FMO recommendations will remain open until FTA performs follow-up reviews to formally close the items.

As of December 2016, FTA has closed 15 of the 20 Testing and Validation action items and is currently reviewing five action items submitted by WMATA. WMATA has also implemented numerous process improvements to address many of the system deficiencies identified in the FMO audit. To ensure ongoing compliance with those findings, WMATA's Office of Management Audits, Risk and Compliance (MARC), conducts independent, objective reviews and assessments of the system of internal control and underlying business processes. Reviews

include the evaluation of financial management controls and compliance with federal grant regulations.

In December 2016, FTA restored WMATA's Electronic Clearing House Operation (ECHO) reimbursement rights for grants awarded after July 1, 2015, following FTA's determination that WMATA has made substantial progress in addressing the financial and procurement weakness identified in the FMO review. Metro has drawn $1.3 billion of FTA grant reimbursements since the ECHO restriction was imposed in March 2014.

In 2015, FTA WMATA Safety Oversight (FWSO) assumed direct oversight of WMATA, exercising its new authority under the Moving Ahead for Progress in the 21st Century Act (MAP-21). The same act (and subsequent rulemakings) also codifies a Safety Management System (SMS) framework for safety oversight of all public transit properties to be managed by each transit property's State Safety Oversight Agency. While awaiting establishment of a new State Safety Oversight Agency to replace the prior Tristate Oversight Committee (TOC), FWSO has acted as the regulatory authority over WMATA, and has issued a series of Safety and Special Directives requiring WMATA to develop CAPs in response.

WMATA uses the CAP process to drive the development of internal controls that promote compliance with regulatory requirements. These structured plans involve the completion of distinct actionable items according to an established schedule, approved by the regulating authority, and are focused on improving the safety and reliability of our operations, engineering and maintenance functions. WMATA provides internal review and verification of CAPs and actionable items in support of CAP closure. The following outlines FTA directives and required actions issued to WMATA and the response, including number of CAPs and actionable items (where approved).

To date, out of a total of 282 Corrective Action Plans, 50 CAPs have been closed (49 issued by FTA and one (1) by the NTSB), with 75 under review (70 issued by the FTA and 5 from the NTSB). Since January this year, an additional 20 FTA CAPs under the Safety Management Inspection (Safety Directive 15-1) and TOC Report (Safety Directive 16-2) have been closed. WMATA has closed, or submitted for review, nearly half of the required actions.

National Transportation Safety Board (NTSB) Recommendations

The NTSB has concluded its investigation following the January 2015, L'Enfant Plaza smoke and arcing incident. The NTSB official accident report contains 43 findings and 31 total recommendations; 24 to WMATA and the remainder to external agencies. To better manage the implementation of response to the 24 new recommendations, WMATA developed 24 CAPs for each recommendation. Of the current NTSB recommendations there are six (three prior to the L'Enfant incident and three early recommendations immediately after) remaining to be closed, making a total of 30 open NTSB recommendations.

WMATA has submitted five CAPs resulting from the L'Enfant Plaza incident to the NTSB for closure consideration.

To provide a transparent accounting of our progress towards completion and closeout of actions taken in response to regulatory requirements and recommendations from the FTA and NTSB, WMATA maintains a public website where an overview of regulatory compliance actions and detailed trackers for each directive can be accessed. The following website contains links to each of the tracking mechanisms for these regulatory actions:

https://www.wmata.com/about/leadership/general-manager/upload/Overview-of-Regulatory-Compliance-Actions.pdf

Cellular and Radio Service

As you know, PRIIA requires WMATA to ensure cellular phone service throughout the system, including the underground tunnels. WMATA and the wireless carriers worked together on the first phase of the project and currently all 91 Metrorail stations (including 47 underground stations) provide customers with access to cell phone service.

Under the agreement between WMATA and the wireless carriers, the project is being advanced using Metro-managed workers thereby yielding cost and efficiency benefits. Metro is installing the necessary cable for the cellular and radio systems at the same time, while prioritizing other safety-critical maintenance work for tracks, switches, signals and structures.

Following extensive engineering and project tests in the Glenmont tunnel section of the Red Line, WMATA rolled out a complete project schedule. However, at my direction, a third party review was conducted to validate the schedule before it was announced.

Recognizing that the carriers have ownership and installation responsibilities to initiate cell phone service, service is being activated by the wireless carriers as each tunnel segment is completed, meaning that riders will notice incremental improvements in coverage as the project moves forward.

I am pleased to inform you that WMATA met its first deadline to complete infrastructure installation in the tunnels between Potomac Avenue and Stadium Armory. The full installation schedule is provided below:

Activity	Line	Start Infrastructure Installation	Infrastructure Installation Complete	Cell Phone Availability	Radio Availability
Glenmont to Silver Spring	RD	1/2/16	3/31/17	4/28/17	8/21/18
Potomac Ave to Stadium Armory	BL/OR/SV	7/15/16	10/31/16	11/30/16	10/30/18
Metro Center to Potomac Ave	BL/OR/SV	4/1/17	8/8/17	9/8/17	10/30/18
Benning Rd to Largo Town Center	BL/SV	8/9/17	9/18/17	10/20/17	10/31/18
College Park to Gallery Pl	GN/YL	9/19/17	4/17/18	5/31/18	12/31/18
Union Station to DuPont Circle	RD	4/18/18	7/2/18	8/31/18	4/8/19
Metro Center to Rosslyn	BL/OR/SV	7/3/18	8/16/18	9/30/18	5/2/19
Rosslyn to Ballston	OR/SV	8/17/18	11/11/18	12/30/18	7/26/19
Pentagon to King St	BL/YL	11/12/18	2/28/19	4/30/19	9/8/19
Gallery Pl to Southern Ave & Suitland to Branch Ave	GL/YL	3/1/19	9/8/19	11/15/19	1/22/20
DuPont Circle to Medical Center & Grosvenor to White Flint	RD	9/9/19	5/4/20	6/30/20	10/30/20

Security

Finally, security is a high priority. We have been working very closely with the FBI's Joint Terrorism Task Force and the Transportation Security Administration to share intelligence. The Metro Transit Police Department has increased police presence throughout the system with plain clothes and uniformed officers, and our 27 K-9 units have been deployed throughout the system. I would like to thank the police departments of our local jurisdictions that have stepped up their patrols in stations located in their jurisdictions.

Like the majority of mass transit systems in the United States, Metrorail is an "open" system, which creates unique challenges and requires security strategies that are complex and multi-layered. The federal government provides significant funding for these efforts – Metro has invested nearly $172 million of federal Homeland Security funding into the system since September 11, 2001. These resources have helped us install thousands of new cameras, and supported our anti-terrorism team, bomb squad and K-9 units.

I will close by thanking Congress for providing PRIIA and federal formula funding, which WMATA has invested in a multi-year capital program that is making long-deferred improvements to the system. These safety and infrastructure improvements range from upgrades to our tracks, structures and signal systems, to the design of state-of-the-art railcars that exceed the latest safety standards. Already, these cars are providing improved safety and comfort to commuters and visitors to the National Capital Region.

Thank you and I look forward to answering your questions.

Mr. HICE. Thank you very much.

Mr. Anosike, do you have any oral statement that you would like to make?

Mr. ANOSIKE. Thank you, Mr. Chairman, and thank you for the invitation. I look forward to the questions from the committee.

Mr. HICE. Okay, sir. Thank you very much.

Mr. Goldstein, you're recognized for 5 minutes.

STATEMENT OF MARK L. GOLDSTEIN, PH.D.

Mr. GOLDSTEIN. Thank you, Mr. Vice Chairman, and thank you, Mr. Chairman, and members of the subcommittee. Good afternoon. Thank you for the opportunity to testify on GAO's recent review of WMATA's SafeTrack initiative. My testimony is based on a report we issued earlier this month.

Recent inquiries into WMATA's Metro rail system have revealed a range of serious safety issues. In response to some of these issues, as well as the backlog of track maintenance, WMATA announced in May 2016, it was undertaking SafeTrack, a large scale rehabilitation project. The SafeTrack project is overseen by FTA.

GAO was asked to review a range of safety and oversight issues regarding WMATA. This report examined the extent to which WMATA's planning and implementation of SafeTrack was consistent with leading project management practices, as well as steps taken by FTA to oversee SafeTrack.

In our review, we found the following: First, WMATA's planning of SafeTrack did not fully align with leading project management practices. While WMATA generally followed leading practices to coordinate with stakeholders, it did not comprehensively collect and use data on the condition of its assets, analyze project alternatives, or develop a project management plan before starting work. WMATA did not follow these practices because it believed it needed to start work immediately to address critical safety issues.

Although WMATA inspected track assets when planning SafeTrack, those inspections were not comprehensive and did not collect data on the condition of all track infrastructure, such as all interlockings where trains crossed from one track to another. As a result, WMATA's decision makers may not have had sufficient information to develop project objectives and to properly prioritize SafeTrack work.

Though WMATA developed three alternatives for SafeTrack, it did not determine the costs or impacts of each alternative or assess them to determine which approach may have resulted in greater efficiencies, lower costs, or less disruption for riders in local jurisdictions.

Before WMATA began SafeTrack, it lacked a comprehensive project management plan, which is a key tool to ensure a project is completed on time, within budget, and according to quality standards. WMATA does not have a policy that requires and includes relevant procedures for how to carry out these planning activities for large scale projects. Without such a policy and procedures, WMATA lacks a framework plan to do future projects so that they achieve their objectives.

We also found out WMATA's implementation of SafeTrack generally did align with leading project management practices. Specifi-

cally, WMATA officials collected information on the work being performed during SafeTrack. WMATA officials also collected lessons learned during and after each surge and used those lessons during subsequent maintenance and planning efforts.

Additionally, WMATA developed new organizationwide quality control and assurance programs and a framework, and is implementing them for the first time through SafeTrack.

Thank you, Mr. Chairman. This concludes my testimony. I'll be happy to respond to any questions that you have.

[Prepared statement of Mr. Goldstein follows:]

United States Government Accountability Office

GAO

Testimony

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WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

Improved Planning of Future Rehabilitation Projects Could Prevent Limitations Identified with SafeTrack

Statement of Mark Goldstein, Director, Physical Infrastructure

GAO-17-519T

Mr. Chairman, Ranking Member, and Members of the Subcommittee:

Thank you for the opportunity to discuss our March 2017 report on the Washington Metropolitan Area Transit Authority's (WMATA) SafeTrack project.[1] Recent inquiries into WMATA's Metrorail system—the nation's second-busiest—have revealed a range of serious safety issues.[2] In response to some of these issues, as well as its backlog of track work, WMATA began SafeTrack in May 2016. According to WMATA, SafeTrack is a unique effort, designed to address urgent safety issues with railroad track infrastructure.

WMATA's Metrorail system has experienced a variety of serious safety incidents in recent years. On June 22, 2009, one Metrorail train struck the rear of a second train stopped near the Fort Totten station on the Red Line, resulting in nine deaths and over 50 injuries. The National Transportation Safety Board (NTSB) report on the incident found, among other things, evidence of an ineffective safety culture within WMATA.[3] More recently, WMATA has experienced smoke and fire incidents involving the electrical cables and other components supporting its third-rail system.[4] For example, on January 12, 2015, a Metrorail train stopped after encountering heavy smoke in the tunnel between the L'Enfant Plaza station and the Potomac River Bridge on the Yellow Line caused by an electrical issue, resulting in one passenger's death and numerous injuries. In a report on this incident, the NTSB again found a lack of a safety culture within WMATA.[5] In November 2015, WMATA's current

[1] GAO, *Washington Metropolitan Area Transit Authority: Improved Planning of Future Rehabilitation Projects Could Prevent Limitations Identified with SafeTrack*, GAO-17-348 (Washington, D.C.: March 14, 2017).

[2] According to the American Public Transportation Association, WMATA's Metrorail system had the second-highest average daily ridership in 2016.

[3] NTSB, *Collision of Two Washington Metropolitan Area Transit Authority Metrorail Trains Near Fort Totten Station*, NTSB/RAR-10/02. According to NTSB, organizations with effective safety cultures are generally described as having a commitment to safety that permeates the entire organization; that is, senior management demonstrates a commitment to safety and a concern for hazards that are shared by employees at all levels within the organization.

[4] The third rail is a high voltage rail bar along the track that carries electrical energy to run the trains on that track.

[5] NTSB, *Washington Metropolitan Area Transit Authority L'Enfant Plaza Station Electrical Arcing and Smoke Accident*, NTSB/RAR-16/01.

General Manager began his tenure and initiated a variety of efforts to address WMATA's Metrorail safety issues.

On May 19, 2016, WMATA announced SafeTrack, a large-scale rehabilitation project to address safety issues and rehabilitate the Metrorail system on an accelerated basis by expanding all available maintenance windows.[6] **The primary focus of SafeTrack is rehabilitating Metrorail's track infrastructure by replacing over 45,000 crossties, which are the wooden beams that lay across the railroad bed on above ground sections of the track, and 35,000 fasteners, which secure rails directly to concrete on underground or aerial sections of the track where wooden crossties are not used.** SafeTrack is being carried out through a series of "surges" that involve intensive work on specific areas of track that are either shut down to normal traffic or have only one of the two tracks open, a type of operation known as "single tracking." According to WMATA's initial announcement, the project was designed to bring Metrorail's track infrastructure to a "state of good repair," **which WMATA defines as the condition at which individual railroad assets can be sustained at ongoing, annual replacement rates under normal maintenance cycles.** According a March 2017 report from the Federal Transit Administration (FTA), the total cost of SafeTrack is estimated to be over $133 million.

My testimony today summarizes findings from our report that examined the planning and implementation of SafeTrack.[7] Accordingly, this testimony addresses the extent to which:

1. WMATA's planning of the SafeTrack project was consistent with leading project management practices, and

2. WMATA's implementation of SafeTrack was consistent with these practices.

In our report, we recommended that WMATA develop a policy that requires and includes relevant procedures specifying that certain actions be taken prior to starting future large-scale rehabilitation projects.

[6] Throughout this statement, we refer to "large-scale rehabilitation projects" as projects that involve extended disruption to normal operating service for the maintenance or replacement of transit infrastructure.

[7] Our full report also discusses the steps taken by FTA to oversee SafeTrack, and we have work planned to examine FTA and Federal Railroad Administration safety oversight programs.

To conduct this work, we examined documentation and interviewed WMATA officials on how WMATA planned SafeTrack, including the alternative plans it developed, as well as how it carried out work for SafeTrack. We also examined WMATA documentation on the quality control and quality assurance frameworks in place for SafeTrack as well as the results of WMATA's own SafeTrack quality reviews. We also reviewed recent investigations and studies regarding WMATA, including those from the Department of Transportation's (DOT) Office of Inspector General (OIG), NTSB, and WMATA's OIG. We also interviewed officials from the DOT's OIG, FTA, NTSB, and WMATA's OIG about their work with WMATA and perspectives on SafeTrack. Additionally, we interviewed officials from local jurisdictions (the District of Columbia; Montgomery County, Maryland; and Fairfax County, Virginia) about the coordination and communication between them and WMATA officials concerning SafeTrack. We also compared WMATA's planning and implementation of SafeTrack to leading project management practices identified by the Project Management Institute (PMI) in its *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)*,[8] and by the Transit Cooperative Research Program (TCRP) in its *Report 157*, which focuses on rehabilitation of transit assets.[9] Further details on our scope and methodology are included in our report. The work on which this statement is based was performed in accordance with generally accepted government auditing standards.

[8] Project Management Institute, Inc., *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)*, Fifth Edition, 2013. *PMBOK* is a trademark of Project Management Institute, Inc. PMI is a not-for-profit association that provides global standards for, among other things, project and program management. These standards are utilized worldwide and provide guidance on how to manage various aspects of projects, programs, and portfolios.

[9] TCRP, *State of Good Repair: Prioritizing the Rehabilitation and Replacement of Existing Capital Assets and Evaluating the Implications for Transit, Report 157* (Washington, D.C.: 2012). The FTA sponsored this report.

WMATA Did Not Fully Follow Leading Practices When Planning SafeTrack

In our March 2017 report, we found that WMATA's planning of SafeTrack did not fully align with leading project management practices.[10] While WMATA generally followed leading practices to coordinate with stakeholders, it did not comprehensively collect and use data on the condition of its assets, analyze project alternatives, and develop a project management plan before starting work. WMATA did not follow these practices because it believed it needed to start work immediately to address critical safety issues. **Further, WMATA does not have a policy that requires, and includes relevant procedures for how to carry out, these planning activities for large-scale rehabilitation projects.** More specifically:

- *WMATA's Collection and Use of Data in Planning SafeTrack Did Not Align with Leading Practices.* Leading management practices for transit rehabilitation projects state that transit agencies should collect and use data on assets when planning projects.[11] Although WMATA inspected its track assets when planning SafeTrack, those inspections were not comprehensive and did not collect detailed data on the condition of all track infrastructure, such as all interlockings, where trains cross from one track to another, or of all track power systems, including the electrical cables that power the third rail system. According to WMATA officials we spoke with, electrical cables were not included in the inspections leading up to SafeTrack because the Track and Structures department that lead the inspections is not responsible for the maintenance of the third rail system. In addition, serious safety incidents continued to occur on the Metrorail system during SafeTrack on assets that were not being addressed in the project. For example, on July 29, 2016, a train derailed near the East Falls Church station. This derailment occurred on an interlocking, which while part of the Track and Structures department's responsibilities, was not scheduled at that time for rehabilitation under SafeTrack. As a result of this incident, WMATA's decision makers may not have used sufficient information to develop project objectives and to properly prioritize SafeTrack work.
- *WMATA's Analysis of Alternatives for Improving the State of Repair of the Track Did Not Align with Leading Practices.* Leading management practices for transit rehabilitation projects state that transit agencies should have a policy in place for evaluating project alternatives.[12]

[10] See GAO-17-348 for a full discussion of the leading project management practices.

[11] TCRP, 2012.

[12] TCRP, 2012.

Though WMATA developed three alternatives for SafeTrack—including options for 8, 10, and 22-month work schedules—it did not determine the costs and impacts of each alternative, or assess them to determine which approach may have resulted in greater efficiencies, lower costs, or less disruption for riders and local jurisdictions. Moving forward, WMATA plans to spend over $56 million a year on track rehabilitation projects alone starting in fiscal year 2018. By not having a policy and procedures in place requiring analysis of alternatives prior to starting future large-scale rehabilitation projects, WMATA lacks a framework to comprehensively plan such projects to meet their objectives.

- *SafeTrack Work Began Before Key Elements of a Project Management Plan Were in Place.* Leading project management practices emphasize the importance of developing project management plans.[13] Federal law requires that recipients of federal financial assistance for a major capital project related to public transportation prepare a project management plan approved by the Secretary of Transportation, and carry out the project in accordance with the project management plan.[14] Before WMATA began SafeTrack, it lacked a comprehensive project management plan, which is a key tool to ensure a project is completed on-time, within-budget, and according to quality standards.[15] WMATA officials told us that they implemented SafeTrack to respond to a critical safety situation and that they could not postpone this track work to develop a project management plan. SafeTrack, though, involves an unprecedented amount of track work performed over an extended period, significantly disrupts ridership, and is estimated to cost well over $100 million. WMATA currently lacks a policy and procedures

[13] PMI, 2013. The PMI PMBOK® Guide notes that the content of such plans can vary depending upon the application area and complexity of the project.

[14] 49 U.S.C. § 5327(a). However, FTA officials told us that, based on discretion provided in agency regulations, a project management plan is not necessarily required prior to the start of a major capital project. 49 C.F.R. § 633.21. Major capital projects include, among other things, projects that involve the rehabilitation or modernization of an existing fixed guideway with a total project cost in excess of $100 million. 49 C.F.R. § 633.5.

[15] FTA found that SafeTrack met the $100-million criteria for a major capital project when it approved an additional $20 million in safety-related federal funding for the project in mid-June 2016, during the first surge. WMATA submitted a project management plan to FTA in September 2016. FTA initially found the plan lacked sufficient detail, but after WMATA made subsequent revisions, according to FTA, it conditionally approved the plan in March 2017. FTA also requested additional changes to the plan, such as further explanation of risk management.

requiring the development of a project management plan prior to starting large-scale rehabilitation projects like SafeTrack, according to WMATA officials, regardless of whether the work is to be completed in response to an emergency situation or within WMATA's normal state of good repair efforts.

We concluded in our report that, without a policy requiring planning processes that are more consistent with leading project management practices, WMATA's ability to effectively address future infrastructure challenges may be limited. This situation is particularly true for future large-scale rehabilitation projects that may not be subject to FTA's project management oversight authority, but which could still benefit from having a project management plan in place before beginning the project, consistent with leading practices.[16] To ensure future large-scale rehabilitation projects are in line with leading project management practices, we recommended that WMATA develop a policy that requires, and includes relevant procedures specifying, that it, prior to starting large-scale projects, (1) use detailed asset data to develop project objectives; (2) analyze alternatives; and (3) develop a project management plan for those projects that may not be designated as major capital projects. WMATA agreed with our findings and conclusions, and said that it is working to address the recommendations.

WMATA Is Using Several Leading Practices to Implement SafeTrack and Improve the Quality of Completed Work

In our March 2017 report, we found that WMATA's implementation of SafeTrack generally aligned with leading project management practices.[17] Specifically, WMATA officials collected information on the work performed and the condition of assets repaired during SafeTrack. WMATA officials also collect lessons learned during and after each surge, and use those lessons during subsequent maintenance and planning efforts. Additionally, WMATA developed a new organization-wide quality control and assurance framework and is implementing it for the first time through SafeTrack.

We concluded in our report that, through SafeTrack, WMATA has accomplished a substantial amount of repair work to bring its track

[16] FTA's project management oversight authority includes monitoring a major capital project's progress to determine whether a project is on time, within budget, and in conformance with design criteria, and whether it is constructed to approved plans and specifications, and is efficiently and effectively implemented. 49 C.F.R. § 633.5.

[17] See GAO-17-348.

infrastructure closer to a state of good repair. WMATA is also learning some important lessons in implementing SafeTrack that could better equip it to identify and address issues in future large-scale rehabilitation projects. Perhaps more importantly, SafeTrack indicates that WMATA is now committed to preventative maintenance, including the repairing of track assets before they break and cause more cost and safety impacts on Metrorail riders.

Mr. Chairman, Ranking Member, and Members of the Subcommittee, this concludes my statement. I would be pleased to respond to any questions you or other Members of the Subcommittee may have.

GAO Contact and Staff Acknowledgments

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Mr. HICE. Thank you very much.

As we begin our questions, I would like to begin by recognizing myself for 5 minutes.

Mr. Wiedefeld, one of the areas of great concern and interest, frankly, to me is the fatigue management policy. Can you explain what that is and why it was put in place?

Mr. WIEDEFELD. Yes. Basically, we're following the lead of other major transit or transportation industries, which is not to have the workforce just work continuously, particularly as there are overtime opportunities and things of that sort. So what we have implemented is a policy in effect that on the seventh day you had to take a day off. We just feel that's consistent with the overall culture we're trying to create in the agency, and we think it's, you know, the right thing to do for our employees and our passengers.

Mr. HICE. Okay. So—and that's good. Not to work 7 days in a row, you certainly don't want, but doesn't that create some problems with overtime? How does it work as it relates to overtime?

Mr. WIEDEFELD. It does create some problems. Right now—the policy was actually established by the board. The contract that we have with our employees allows the most senior person to get that work. We have been going—we have not been giving that work to that person, again, for the safety reasons perspective. So we are actually in a—we're taking it to court. We lost in a grievance to an arbiter on that issue, and we are taking that to court to see if that can be overturned.

Mr. HICE. Okay. So a person works 40 hours a week, whatever, then we're talking overtime, and you are required then to go to the most senior people first to offer overtime.

Mr. WIEDEFELD. Yes, sir.

Mr. HICE. If they don't want to do it, you go to the next senior person and work your way down. Okay. What happens, is there—that senior person, do they still receive payment?

Mr. WIEDEFELD. We have been paying them, because in the contract we are required to do that. But again, from a safety perspective, again, we made the judgment that we thought it was more important for safety to pay that person not to work that seventh day and then go to the next person in seniority.

Mr. HICE. So you pay the person not to work.

Mr. WIEDEFELD. Yes, sir.

Mr. HICE. And then you have to pay someone else to work.

Mr. WIEDEFELD. Yes, sir.

Mr. HICE. So you're paying time-and-a-half to not work and then time-and-a-half for someone else to work.

Mr. WIEDEFELD. Yes, sir.

Mr. HICE. All right. That, to me, helps explain some budgetary problems. I think it probably does to all of us.

A January presentation on the 2018 budget indicates roughly an $81 million—you're anticipating $81 million in overtime cost. Is that correct?

Mr. WIEDEFELD. Yes, sir.

Mr. HICE. Can that be corrected, adjusted?

Mr. WIEDEFELD. It can be, and we're working on that. We're doing a number of things. One is to get that ruling overturned where we don't have to offer that work. The other is, we are focus-

ing on absenteeism, workers' comp, long-term absenteeism, and overtime, in general.

But I do have to say, overtime in the transit industry is a standard. You anticipate overtime. There is rationale for it. You have two big peak periods that you have to meet, and in fact, it's a financially good decision to pay overtime rather than bring in more people and all the associated—costs associated with that, particularly in terms of post-employment benefits and things of that sort, and pensions.

So it is a standard within industry to use overtime, but we have to use it very tightly. And the key is, in our business, if someone doesn't show up, you basically have to get someone to run that route or drive that train, and you go to overtime. So you want to make sure that you're having people show up for work. So making sure that they're not calling in sick. Obviously, they can call in sick.

Mr. HICE. So absenteeism is a problem?

Mr. WIEDEFELD. It is an issue that I'm focusing on to bring that down, yes, sir.

Mr. HICE. All right. Well, how are you going to bring it down?

Mr. WIEDEFELD. We actually wrote a new policy on March 1, which basically outlines how many, quote, unexcused absences, meaning you call up and you're sick. You're allowed to get sick, but after so many, basically we can start to do discipline. We also——

Mr. HICE. And what is that discipline?

Mr. WIEDEFELD. Up to termination.

And then the other thing we've done is to make sure that supervisors, for anyone that's out for more than 2 days, then it has to go to medical, another supervisor making those decisions to grant additional days off for sickness, so things of that sort that we're trying to tighten up on.

Mr. HICE. What would you say is your biggest challenge in controlling staffing cost?

Mr. WIEDEFELD. I think that one of the biggest challenges we have is to continue to meet the customer demands with the limited dollars we have. I mean, we went through quite a discussion in terms of reducing hours of service to do the preventive maintenance, and we went through a very hard discussion in terms of having to cut back services for people that need transit to get to work, to get to do their lives. So that is probably the biggest challenge, is not having enough finances to support what the community is asking us to do.

Mr. HICE. Okay.

I'm going to now recognize Mr. Connolly, the ranking member, for 5 minutes.

Mr. CONNOLLY. Thank you, Mr. Chairman. I do want to say to the chairman, I think his questions are quite pertinent on personnel, but I also want to say Mr. Wiedefeld is the first general manager, in my memory, who has had the intentional fortitude to impose discipline. So workers have been held account for misdeeds, inspectors who falsified inspection safety inspections have been fired, operators who blew through red lights after being cautioned to pay attention have also been held accountable, up to and including termination.

We, I think most of us up here, on a bipartisan basis, want to strengthen your ability, not on an arbitrary basis, not in any way to compromise due process, but we feel, I think on a bipartisan basis, people need to be held accountable. And there is a personnel problem on Metro. When we look at various problems, we've got a financial problem, that has to be addressed. We've got an operational problem in terms of physical infrastructure, which we're working on. We also have a workforce issue, and that workforce has been allowed to, I think, slip, and—but I've got to give Mr. Wiedefeld credit. He's the first general manager, in living memory, to have the willingness to expend political capital to address those issues. And I would hope, on a bipartisan basis, we help strengthen his ability to do that.

I don't know if you want to comment on that, Mr. Wiedefeld.

Mr. WIEDEFELD. No. The accountability starts with me, sir, and—but I expect that from everyone that works at Metro.

Mr. CONNOLLY.Right.

Mr. Goldstein, we requested a GAO report, and we thank you for getting back to us in a timely fashion. And—but there's a little bit of a sense in the report, and I don't even mean this inferentially critical, but you almost could write in a perfect world. They didn't come up with a business plan that normally would be expected. We should have, in advance, had certain standards in place and practices in place. We should have had the FTA reviewing it before we did it and all that.

But my sense from Mr. Wiedefeld and Metro was they determined that the situation they inherited was sufficiently dire that we couldn't exactly do that perfectly. We didn't have another 6 months, because public safety was at risk and that was the urgency of the moment. And so, yeah, we were willing maybe to not have everything in place we would ideally like in order to proceed.

Your comment.

Mr. GOLDSTEIN. Sure. I understand that point, and we certainly discussed it with Metro for quite some time. We don't disagree that there wasn't a major safety problem. I ride the Red Line every day. I certainly want a safe train myself.

But I also——

Mr. CONNOLLY. No wonder GAO is so critical of Mr. Wiedefeld. He rides on that Red Line.

Mr. GOLDSTEIN. Well, it's only between Medical Center and Friendship Heights, really, that I worry.

But I think that's also not prudent or appropriate to embark on any major capital project, spending up to $130 million without a plan. A lot of this wasn't news. There's a whole alphabet soup of agencies and organizations that have been providing Metro with safety violations and recommendations for a long time for living memory, really, as you call it.

Mr. CONNOLLY. Right.

Mr. GOLDSTEIN. And so it's a surprise that there was no planning, on the shelf even, that you could use, that the kinds of information that they had was not sufficient.

Mr. CONNOLLY. Mr. Wiedefeld, do you want to respond to that? That's a fair point.

Mr. WIEDEFELD. It is. But in what I saw at the time, what I've said is I started November 30. If I had known what I know now, I would have started November 30. We were at that state. I could not live with myself not doing something as quickly as we could. I'm a planner by training. I mean, my degree is in that, I understand that, and I appreciate that, but with what I had in front of me, I felt I had to move and move very quickly.

Mr. CONNOLLY. Now, one of the things that I want to make sure you have an opportunity to address is, SafeTrack is one thing, but that's only about sort of the innards and the rails. It's not about the railcars, and yet 60 percent of the safety incidents or accidents that have occurred actually involve railcars, not the rails themselves, and I wonder if you could address that.

And secondly, doesn't that underline the criticality of PRIIA funding continuing so we can afford and—stay in our line in the queue and afford to replace the cars the chairman talked about correctly, that have to be replaced? There's a safety and reliability issue.

Mr. WIEDEFELD. Exactly. The track work we've been doing—we have been doing on the worst of the worst, and we'll continue to work on the track work, and that's part of the preventive maintenance program. But at the end of the day, for the customers, as we get that better and better, it's the railcar experience. So, for instance, offloadings, or delays caused by failing railcars.

The 7000 series is key to solving that. We've already seen that, so it's important. That is funded by the PRIIA dollars, so it's important that we keep those flowing into the system. That also gets rid of the 1000 series, which is the one that NTSB says we need to get off the property as soon as possible, so we'll do that by the end of 2017, and also the 4000 series, which is our least performing car, but also has safety-related issues. By getting both of those out of the system, we will both improve safety and increase the reliability. We also can manage the fleet totally differently.

Right now, we have to what we call belly those cars, those series. We have to put them in between cars that don't have the safety issues. So every night we go through this tremendous, you know, three-level chess of rearranging the entire fleet. By getting those out of the system, we can start running consistent consists, meaning all 6000s, all 5000s, and all 7000s, and that will improve the overall performance of it, as well as even the communication to our customers through the PA system on the cars.

Mr. CONNOLLY. Mr. Chairman, I know my time is up, but you raised a point. I wonder if on behalf of the two of us we could just ask Mr. Wiedefeld to address, because it didn't get addressed, which was there seems to be a problem with the weight or the configuration of the 7000 cars on the rail tracks, which I think the chairman raises a very good point, I've heard it, too. If the chairman would indulge, following up on his own question.

Mr. HICE. Sure, if you would.

Mr. WIEDEFELD. Okay. Yes. I mean, the 7000s are slightly heavier than the other fleet, but remember, you know, the weight of the cars changes during the day. So you could have an 8000 series of—or 8000 car train with 6000 series and have much more weight, depending on the time of day.

So what we've done is we've actually gotten an independent analysis, particularly on the acoustic side and on the weight side to find out, because we've gotten some issues in some communities both in terms of noise and vibration. So we have gotten some—an outsider to basically take a look at that, and we're working with the little—our local communities to literally to go into their houses and monitor what is the base and then do that. As soon as we find out what if—what in and if there are issues there, we will address them. But so far, that car has performed very, very well.

Mr. CONNOLLY. Thank you.

Mr. HICE. You're welcome.

I would ask unanimous consent that Representative Comstock of Virginia be allowed to fully participate in today's hearing. Without objection, so ordered.

We welcome you. Thank you for your interest in the topic today.

At this time, I'd like to recognize the real chair of this Subcommittee on Government Operations, Chairman Meadows.

Mr. MEADOWS. Thank you, Mr. Chairman. I thank each of you for being here.

Mr. Wiedefeld, thank you for your continued service in trying to make sure that WMATA is once again returned to greatness. And so I just want to thank you there. I've got a few questions that I want to jump into right away.

But before I do that, obviously, Mr. Connolly is keenly interested in this, and he's right. I'm willing to support his efforts to make sure that we get this right, and that means potentially expending political capital in ways that I wouldn't normally spend them in an effort to make sure that this transit system serves the Federal workforce and the greater metropolitan D.C./metropolitan area in a way that it should.

And so I reaffirm that commitment to my good friend, Mr. Connolly, and as well reaffirm that to Ms. Comstock, who is here. There is not a time that goes by where she doesn't urge me, I will say it in a nice term, to actually stay engaged with regards to the transit system.

But, Mr. Wiedefeld, part of the——

Mr. CONNOLLY. Can I just say to my friend, I thank him so much for his commitment.

Mr. MEADOWS. And you have it. Thank you. Thank you.

The fiscal 2018 budget, I think, in the shortfall that's there, you've identified, I guess, 800 positions to be eliminated. Is that correct?

Mr. WIEDEFELD. Yes, sir.

Mr. MEADOWS. And so in doing that, are these positions currently occupied or vacant?

Mr. WIEDEFELD. It's a combination. The 800 are some primarily management first, and they were vacancies where I could find vacancies, but there were also filled jobs. And then the remaining portion of them will be as we cut service, because in the budget, we do actually cut some rail service and some bus service, so that will be the operators associated with that and some of the supervisors.

Mr. MEADOWS. All right. So as we look at that, most of those—those 800 positions that you will eliminate, it doesn't get you all

the way from an operational standpoint to where you need from a budget standpoint. Is that correct?

Mr. WIEDEFELD. No, sir.

Mr. MEADOWS. So the shortfall that we're looking at will be potentially how many dollars?

Mr. WIEDEFELD. In fiscal year 2019?

Mr. MEADOWS. Yeah.

Mr. WIEDEFELD. We don't have that identified. I'm coming out in April with my estimate both on capital and operating looking forward with 2019 and into the future, so I will be putting out—that out shortly. But the reality is, is I will continue to look for ways to save dollars and be more productive, but the margins are getting smaller, smaller where I can impact that.

Just given the nature of the business, we're a labor-intensive business because we need the people out there. We're an energy-intensive business both in terms of electricity and diesel, and we're a capital-intensive business. That's what we do. And then on top of it, we're a 40-year-old business that needs that reinvestment. So all those, I think, need to be considered together as we look forward to the future of this agency.

Mr. MEADOWS. Well, and we're willing do that, and I'm committed to both of my colleagues from Virginia to do that, as well as some of the colleagues from Maryland as well, and Eleanor Holmes Norton.

However, I guess my concern is, is we need to put it in separate buckets, because right now, we've got a capital investment that is needed, and certainly I see that. Those numbers can be all over the board in terms of what is needed and what would translate into a safe system. And yet the operating concern, it looks like we're on a trajectory that will not correct itself without unbelievable fare hikes or some kind of systemic changes. Would you agree with that?

Mr. WIEDEFELD. Yes. The cost curve on the operating side exceeds what we can anticipate from many type of revenues.

Mr. MEADOWS. So if that's the case, I guess one of your partners would be the transit union, Amalgamated Transit Union. How have they reacted to some of your cost-cutting policy endeavors to date?

Mr. WIEDEFELD. Generally, obviously, they're concerned, but I can tell you a lot of the line employees understand what we're doing. They've been around for a number of years. They've seen some of the conditions we've gotten to. So I think overall supportive of what we're trying to do, but clearly——

Mr. MEADOWS. So let me ask it in a different way that's probably a little bit less diplomatic. In what ways are the unions providing a speed bump for actually getting this fiscal house—or getting our fiscal house in order?

Mr. WIEDEFELD. I think they will be coming out, my understanding is, tomorrow with their plans to try to help on this—in this area. We continue to reach out to the union to work together on solving these issues, because we're not going to solve them, either one of us independently. We have to work through these together.

Mr. MEADOWS. All right. So with that being said, and with the chairman's indulgence, I'll close out here.

My big concern, and this is the message that needs to be taken back to your board, obviously to the unions, to each one of you that are here representing WMATA, is that it is going to take a joint combined effort to get this right.

I'm willing to help in a bipartisan way. I think the members of this committee are willing to help in a bipartisan way from a congressional standpoint, but I don't want to feel like I'm getting way out on a limb and not having a willing partner. And so that message needs to go to everyone, if you catch the drift.

And in doing so, if they're willing to do that, I'm willing to actually make a commitment. I get more complaints about WMATA in—here in the District than anything else, and it's normally on a day where we've got a line down or somebody—and yet at the same time, I think we've got to make a real commitment to get it right.

I'm a huge fan of yours. I will take one issue. A $400,000 video was not well timed. And I'm just saying, when you look at a Back2Good video and you're spending those kind of dollars when we're not back to good yet, your marketing people anticipated in a way that they shouldn't have, being a marketing guy. I'll leave the WMATA up to you. Maybe check with us next time on the marketing before you get it good. Okay?

Mr. WIEDEFELD. Thank you, Mr. Chairman. Thank you for your support.

Mr. CONNOLLY. Would my friend—I just can't resist in listening to him. There was an old song by the Kingston Trio about the Boston transit system called, "Charlie and the MTA," and the line was: "Did he ever return? No, he never returned, and his fate is still unlearned." And we don't want to descend to that level.

Mr. MEADOWS. I yield back.

Mr. HICE. And we appreciate the gentleman sharing the line rather than singing it for us. We're grateful for that.

Just out of curiosity, how do your labor costs compare with other transit systems?

Mr. WIEDEFELD. I think they're pretty average. I mean, the reality is, when we negotiate contracts, we are compared to other properties. That's how those contracts are developed. We are within range. Some things are below, some things are above. We're probably a little bit on the higher end because of the economy of this region, you know, and the wealth of this region for sure. But just to give you a sense, you know, an operator with—like a bus operator, a rail operator with 30 years here makes just about $70,000, just to give you a sense.

Mr. HICE. I'd like to see a comparison, but——

Mr. WIEDEFELD. Yes, sir.

Mr. HICE. —at this point the chair recognizes Ms. Norton for 5 minutes.

Ms. NORTON. Thank you, Mr. Chairman. And I do appreciate your work and the work of my good friend, Mr. Connolly, in keeping this matter before the Congress.

I note that our real chairman, shall we call him, said this was a joint effort. So I do want to, before I get to my question, indicate that there is a missing partner. Let's just call him a free rider, the Federal Government.

Every other actor that depends on Metro contributes to WMATA. I don't know how long the Federal Government thinks it can get away without doing so, but I can tell you this: The only business or enterprise I know that closes down when WMATA closes down is the Government of the United States located here in this region. And I just think that is an elephant in this room.

There's another—I want to welcome all of you. I do want to get a little deeper into the long-term financial needs.

Mr. MEADOWS. The gentlewoman said an elephant in the room. She's not being partisan, is she?

Ms. NORTON. Indeed, I was referring to my friendly elephants.

Mr. CONNOLLY. I'm about to start singing.

Ms. NORTON. The circus is in town everybody.

The—page 5 has your operating budget in some detail. It really isn't any narrative on your long-term needs, and yet this is not a new issue. Staff went back and looked back over 40 years, found in 1979, and here's the language that WMATA risked being in a, quote, continuing financial crisis. If that hasn't come to—if that has hasn't come to be, nothing else had. So that's 40 years ago.

Then if we go back 11 years, to 2004, the narrative gets to be a systemic service meltdown condition as early as 3 years from now. Well, 3 years from then was 2007, and so I don't know if meltdown has been going on all that time or not, but, you know, the metaphors are all over the place. And of course, the metaphor of the day is death spiral.

And that's about raising fares, it's what you're doing, cutting services, that's what you're doing. That wasn't always the case back in 1979, that kind of juxtaposition, but that's where we are today.

You don't use those hyperboles, and here I'm quoting from your written testimony, Metro's unsustainable cost model. Isn't that the same thing, all—all language aside? Isn't that the same thing as a death model—a death spiral, your notion of an unsustainable cost model?

Mr. WIEDEFELD. I think what I was—what I was referring to there is that that can be solved through additional jurisdictional contributions. I mean, there's other ways, you know, that could be solved, but I just don't think that's sustainable to keep going back to the local jurisdictions, keep going back to the riders, and we have to think of this differently.

Ms. NORTON. You know, wait a minute, the riders are different from the local jurisdictions. You don't think it's sustainable to go back, for example, to the local jurisdictions and say give us a model that would be essentially a tax dedicated to WMATA? Have you asked for that? Do you think that's what the local jurisdiction should be doing?

Mr. WIEDEFELD. Sure. What I was referring to is that the current model is not sustainable. Where, as Congressman Connolly was talking about——

Ms. NORTON. But I'm saying, then you named—you know, you named a couple of actors. I'm asking about the actor that you actually go back to, which is WMATA members themselves, or the three jurisdictions. I'm asking you whether you think some form of dedicated payment, you can call it whatever you want to, I'll call

it a dedicated tax, is what is needed for a sustainable model for running this system.

Mr. WIEDEFELD. I think we do need a sustainable source of revenue for going forward in the system, yes.

Ms. NORTON. So that you wouldn't have to every year go back to and ask for. I thank you.

Now, you are doing very well in cutting, and you have said that some of these positions that you are cutting are filled and some are not. So what—so you haven't gotten to layoffs yet. Is that what you're telling us?

Mr. WIEDEFELD. Oh, no, we have had layoffs.

Ms. NORTON. And those have been almost entirely in management positions?

Mr. WIEDEFELD. Yes.

Ms. NORTON. When do we cut to the quick and you get to layoffs for operating personnel?

Mr. WIEDEFELD. It starts before July 1, before we basically start to pull down the service.

Ms. NORTON. So there will be layoffs——

Mr. WIEDEFELD. Yes.

Ms. NORTON. —in personnel who operate this system beginning with the next budget?

Mr. WIEDEFELD. Yes.

Ms. NORTON. How much money? I do want to ask you, before my time runs out, I wrote you a letter regarding something that surprised me, and I understand you're working on it, but I need to bring it to your attention, that on the DBE, and we just passed the FAST Act, that's my other committee, and that's disadvantaged businesses. This is required by the Federal courts, that you cut that from a goal of 22 percent to 15 percent. I really do need an explanation for that, and I don't require it today, but I needed to bring it to your attention.

Finally, how much would it take on an annual basis, giving what you know now, and let's project 5 years, would it take to run a system that is well run and continues to update its maintenance? How much would that system cost us? Surely we have a 5-year, at least, projection.

Mr. WIEDEFELD. Right. And that is what I'm coming out in April with, which is both the short term, next 3 years, and out to a 10-year.

Ms. NORTON. So that would let us know how much money we need in the large?

Mr. WIEDEFELD. Yes, ma'am.

Ms. NORTON. Thank you. That would be very useful to know, then we'd face some realistic figures.

Thank you very much, Mr. Chairman.

Mr. HICE. I thank the gentlewoman.

The chair now recognizes Mrs. Comstock for 5 minutes.

Mrs. COMSTOCK. Thank you, Mr. Chairman. I appreciate the opportunity to be able to visit with you here today.

I know about—I guess probably about a year ago when we were addressing these concerns at the beginning of the process, we talked about the—using outside contractors and how that might be

able to generate some savings as we were trying to get more of this work done in a quick timeframe.

Are you able to report examples of how that was utilized and what kind of savings you saw?

Mr. WIEDEFELD. We have been using it extensively on the SafeTrack program. We've had a number of contractors there. We've had a number of contractors that come in to basically do track inspection, help us with track inspection. We continue to bring in contractors to look at different things that we currently do to see if there's better ways to do them either within the existing framework or other frameworks.

We're in the procurement process for removing some of the Metro access to a private vendor or potential for private providers to——

Mrs. COMSTOCK. Where is that in the process, because I know we talked about that last year?

Mr. WIEDEFELD. We've gotten the bids in and we're reviewing them.

Mrs. COMSTOCK. So when would we have——

Mr. WIEDEFELD. Next month or two. You know, there's sometimes you go back and forth, you ask them questions, so depends on how much time they need for some of those questions. So we'll continue to do that.

You know, I think there are opportunities to do things a lot smarter, be more productive, and some of it with our own forces and some of it with outside sources.

Mrs. COMSTOCK. Are you able to provide us with some numbers on that and documents? For example, we did this on track work, are we talking about saving thousands, millions, what kind of savings?

Mr. WIEDEFELD. I can pull together what—how much we've applied towards it and sum up productivity from it.

Mrs. COMSTOCK. Okay. Because, you know, I mean, I have heard still some frustration with some of our localities and folks who were looking at, you know, as they're going to, you know, be dealing with some of the costs coming their way, and the counties that enough isn't going on in this way. And if there's something that's preventing you from being able to do, you know, whether it's current existing contractor or whatever it is, it would be helpful to identify that for us, because they're saying they don't see that happening.

So do you have anything I can tell them to assuage their concerns?

Mr. WIEDEFELD. I think, you know, we have to—we also have to live within the contract bounds that we have, and we have to live within some Federal regulations and law, so we have to do it within that context. But I am not—you know, I have been open to if there is an opportunity to use and it makes business sense to use private sector, then we do it and——

Mrs. COMSTOCK. Can you give us an example of some of them that have been done?

Mr. WIEDEFELD. Well, I mean, the biggest would be the track. I mean, we're spending, I don't know the numbers off the top of my head, but tens of millions of dollars in the—on the private sector to do that work.

Mrs. COMSTOCK. It's all private sector?

Mr. WIEDEFELD. Yes.

Mrs. COMSTOCK. But not at this point?

Mr. WIEDEFELD. Not all. Again, we continue to use our own people, but we supplemented that extensively with the private sector.

Mrs. COMSTOCK. Okay. Well, that would just be helpful maybe comparing what the costs of those outside contractors are versus the legacy staff that are doing things, and if that provides us some point of comparison, that would be helpful.

Also, in terms of using technology in order to help bring costs down, do you have any examples of how you've been able to do that, and again, if there are any limitations and you're utilizing new technologies?

Mr. WIEDEFELD. We are using technologies and we're exploring some others, particularly, you know, with iPhones and things of that sort now for recording data that we're getting in realtime, and then obviously to monitor it and do things of that sort. We've reached out and, actually, we're working with the Network Rail, which is the company that runs London's system where they move to that, for instance, on their track inspection.

We're very interested in the technology advances on track inspection, really, whether it's vehicles that take pictures and are constantly monitoring to how you're entering data when you're physically out there. All that is some of the things that we're exploring right now.

Mrs. COMSTOCK. So are we not—like what percent of that work in evaluating the track is done sort of pen and pad still or on paper versus technologically——

Mr. WIEDEFELD. Sure.

Mrs. COMSTOCK. —recording it for posterity?

Mr. WIEDEFELD. Well, it is recorded for posterity, but a lot of it is done in paper initially, so that's why we want to get out of that if we can. But also we have vehicles that ride the system now that are basically X-raying the tracks, for instance, in the——

Mrs. COMSTOCK. But of the people—because we had—you know, when we had the hearing and everyone was finger pointing that, well, they made me—remember at the last hearing we had, a witness said that they were forced to submit a false report or that people were—I guess not the witness, but they were saying that's what they had heard. I think it was the—a union member said they were filing false reports because they were being told they had to.

And then on the other side, you know, we had no record of it. So are we resolving that? So instead of all these back and forths and who said what and lengthy, costly investigations, do we just have a way of recording these things as they happen so that there is really no room to lie?

Mr. WIEDEFELD. No. We do, and we did it. I mean, that's how—that's what supported some of the actions that I took. I needed that information to support it. You know, whenever I let someone go, I have to be able to support it, and so we had that information. We had to do our homework to make sure it was done well so that we could support the decision we made, but as you recall, we terminated almost half of that division.

Mrs. COMSTOCK. No. And I appreciate it, and I know you did a lot of hard work on that, but it seems, because of not using technology, it took a lot longer in terms of investigating it instead of saying, well, let's roll the videotape.

Mr. WIEDEFELD. That's a good point.

Mrs. COMSTOCK. You know, when we have—you know, when you're playing a game and you got to look back and you have the videotape sitting there, you can see in or out of the lines. And I think if we have technology to do that, that's—so it will be helpful for us if we could like see that in action. If you can just provide us perhaps, provide the committee a video showing how this is being done and implemented so we can actually see what's really happening and how in the future we won't be able to have that finger pointing, we'll actually know if somebody did their job on Tuesday or Wednesday or Thursday or if they didn't do it at all.

Mr. WIEDEFELD. Yes.

Mrs. COMSTOCK. Thank you, Mr. Chairman.

Mr. CONNOLLY. Mr. Chairman, I know that there are some members who wanted to be here and because of other committee assignments couldn't, and I know we're going to have a few days to submit questions for the record. I will also be submitting some questions, so we don't do a second round, but on what does good look like as we move forward in the future. Thank you, Mr. Chairman.

Mr. HICE. You're welcome, and there will be additional questions. And I ask unanimous consent that members have 5 legislative days to submit those questions for the record. And without objection, so ordered.

I do want to thank each of our witnesses for your participation. Thank you for taking time to be with us today.

If there's no further business, without objection, the subcommittee stands adjourned.

[Whereupon, at 3:01 p.m., the subcommittee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

May 11, 2017

The Honorable Mark Meadows
Chairman, Subcommittee on Government Operations
House Committee on Oversight and Government Reform
2471 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Gerry Connolly
Ranking Member, Subcommittee on Government Operations
House Committee on Oversight and Government Reform
2471 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Meadows and Ranking Member Connolly:

Thank you for the opportunity to discuss my priorities as General Manager of the Washington Metropolitan Area Transit Authority (WMATA) with the Members of the House Committee on Oversight and Government Reform, during the Subcommittee on Government Operations hearing on March 29, 2017. I look forward to continuing to work with you to ensure that the nation's capital is served by a safe and reliable transit system.

I am writing to respond to questions for the record in the Committee's April 27, 2017 letter.

Question from Chairman Mark Meadows:

1. **A federal judge recently upheld the arbitration panel decision that the maintenance worker who was fired for falsifying records of fan tests connected to the deadly L'Enfant Plaza incident be reinstated. The arbitration decision cited WMATA's lack of oversight and failing safety culture as part of the rationale to reinstate the maintenance worker.**

   a. **In light of this decision, what steps is WMATA taking to ensure that moving forward WMATA is conducting proper oversight of its maintenance staff?**

      Over the past year WMATA has taken steps to improve the safety culture and ensure proper oversight is conducted by supervisors of maintenance activities. In November 2015, I announced that one of my key initiatives was the creation of an independent internal quality assurance department. The Department of Quality and Internal Compliance (QICO) is tasked with reviewing all maintenance departments to ensure compliance with internal policies and procedures. Over the past year, QICO has provided independent internal reviews to ensure work is being done in the field to the standards outlined in our policies and procedures. As an example, on

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A District of Columbia, Maryland and Virginia Transit Partnership

April 10, 2017, QICO completed three new internal audits of Metro's Structural Inspection Program, Track Inspection Program, and Metro's Tunnel Ventilation Inspection Program. Responsible departments are in the process of preparing Corrective Action Plans, which is being done in a manner similar to the Federal Transit Administration (FTA) CAP process.

Another example of how we are ensuring proper oversight is our response to FTA CAP (R-4-32-a) finding that WMATA did not have a formal program for reviewing the proficiency of maintenance field staff. In response to this CAP, in June 2016, a new Standard Operating Procedure was issued requiring supervisory inspections of all work performed in the rail system. A new training program for supervisors is being developed that will focus on the necessary skill sets needed to provide quality control over maintenance activities.

Finally, please allow me to clarify that the falsified vent fan inspection records, that were the subject of the arbitration, did not cause nor exacerbate the Yellow Line incident.

b. What changes are anticipated to WMATA's safety culture in light of the reinstatement decision?

The recent court order does not alter Metro's resolve to strengthen its safety culture and hold every employee accountable. In May 2016, I released an urgent Safety Bulletin announcing Metro's policy that Safety Trumps Service. The release of the bulletin was followed by Safety Stand Down meetings, which were held with all front line employees in order to enforce this message. All supervisors, managers and roadway workers attended this two-hour safety stand down training. Additionally, over the past year WMATA has focused continually on ensuring that employees understand that Safety Trumps Service, that supervisors understand their role in ensuring work is completed to satisfactory standards. And, as described in answer #1 the Quality and Internal Compliance Office (QICO) (1) is adequately staffed to provide audits of work being completed in the field, (2) adopts performance metrics that are tracked, and (3) ensures that senior managers are reviewing these metrics monthly.

c. What challenges does the reinstatement decision create for WMATA in enforcing safety directives and holding workers accountable?

If WMATA's policies designed to improve its safety culture are allowed to be challenged continuously, then WMATA will have a much more difficult time changing our safety culture. WMATA's workers are an integral part of this culture change. If WMATA management is not allowed to terminate, or even discipline workers who do not or will not comply with safety policies and procedures, then the task to change the safety culture may be insurmountable.

Notwithstanding the difficult challenge that the decision has created, WMATA has no choice but to comply with the court order. But we will continue to enforce our policies and procedures and hold all employees accountable.

2. **What is WMATA's current unrestricted cash level?**

As of April 30, 2017, total unrestricted cash and available liquidity was $368.3 million of which $350 million was an undrawn line of credit.

a. **Does a low level of unrestricted cash carry any concerns as it relates to WMATA's financial stability and health?**

Low cash and liquidity levels limit WMATA's ability to respond to unforeseen system interruptions that impact revenues.

b. **Do you have any plans for increasing WMATA's unrestricted cash reserves, and if so, what are those plans?**

In December 2016, FTA restored Metro's ECHO reimbursement rights for grants awarded after July 1, 2015, following FTA's determination that Metro made substantial progress in addressing the financial and procurement weakness identified in FTA's 2014 Financial Management Oversight review. Metro has drawn over $1.5 billion of FTA grant reimbursements since the ECHO restriction was imposed in March 2014. Receiving these reimbursements improved WMATA's overall cash position. In addition, WMATA recently increased its line of credit capacity to support operating liquidity. WMATA currently lacks a meaningful contingency reserve to support cash flow needs and to manage against unexpected events. A key component of the plan to Keep Metro Safe, Reliable and Affordable is the proposed establishment of a Rainy Day Fund that will provide support for future unexpected needs.

c. **What are the potential impacts of WMATA having low levels of unrestricted cash?**

Potential impacts of low cash levels are not being able to meet current obligations if passenger revenue is impacted for any sustained period of time. Examples of revenue impacts the system has or may experience are government shutdowns, weather disruptions, system shutdowns due to infrastructure failure or terror attacks. Low cash levels may also limit WMATA's ability to meet its capital maintenance needs as most of our capital grants are provided on a reimbursable basis.

3. **Moody's downgraded WMATA's credit worthiness rating to an A2 last May, can you explain what impact this has on WMATA's ability to secure loans and lines of credit?**

   In May 2016, Moody's downgraded WMATA's long-term debt rating one notch from A1 to A2. The A2 rating, while lower than A1 continues to reflect WMATA's upper-medium investment grade credit strength and is subject to low credit risk. The impact to WMATA is higher long-term debt costs which are passed on to our jurisdictional funding partners. The rating downgrade had no measurable impact on our ability to secure new lines of credit from our banking partners

   a. **Are you concerned that the reasons that Moody's determined necessitated the downgrade, reliance on subsidies and costs exceeding revenue growth, may continue beyond FY2018?**

      As GM/CEO, I am concerned about WMATA's financial health and fiscal accountability. That is why WMATA has taken actions to reduce costs while continuing to make the capital improvements necessary to win back riders. The Board of Directors recently approved the FY18 budget, which contains costs by requiring shared sacrifice from our customers and the region. In my plan to Keep Metro Safe, Reliable, and Affordable, we recognize the financial challenges WMATA faces and the need for a dedicated funding for capital investments. My plan also calls on the region to take action to address WMATA's unsustainable costs and business model. As we develop the FY19 budget and plan for the future, I am hopeful that the region will take the steps outlined in my plan to ensure a safe and reliable transit system.

   b. **What steps are you taking to address the Moody's 2016 rating downgrade?**

      WMATA is committed to improving our fiscal management to ensure effective resource allocation and proper accountability to our stakeholders and funding partners. This commitment is also responsive to Moody's concerns with regard to WMATA's financial health. To that end, WMATA has implemented initiatives to reduce costs and operate more efficiently. For example, recent efforts to reduce agency workforce and control absenteeism, have helped to balance our FY18 Operating Budget.

      More importantly, my plan for Keeping Metro Safe, Reliable, and Affordable calls for a more stable and predictable operating and capital subsidy capped at three percent each year. The plan also seeks a stable revenue stream that would generate $500 million annually that would be dedicated to fund WMATA's capital needs. In the long run, these initiatives will improve WMATA's financial health, benefit customers and the region, and improve WMATA credit ratings.

4. In your opinion, what is greatest challenge that WMATA faces in ensuring that its operating budget is fully funded in future fiscal years?

Controlling operating costs across the board will be critical to the future fiscal health of WMATA. To address those issues, I recently released my plan for Keeping Metro Safe, Reliable and Affordable. As described in the plan, left unchecked, Metro's subsidy requirement for day-to-day operations will grow from $980 million to $1.6 billion annually in 10 years – driven primarily by wage and benefit costs. Even if Metro were to regain tomorrow the 100,000 average daily riders lost over the last decade, its subsidy need for day-to-day operations would still grow to $1.5 billion in 10 years. Without a change to this business model, the funding jurisdictions will be faced every year with choosing between raising fares and reducing service or allocating a growing portion of their constrained local budgets to Metro operations.

Metro operations are funded by fare-paying riders, commercial revenues (such as advertising and leases), and support from taxpayers who benefit from transit service through traffic mitigation, development, jobs, and economic growth. Operating expenses are rising at twice the rate of Metro fares and commercial revenues. Operating costs include services, materials, and energy, but by far the most significant cost drivers are the wages and benefits for the people who operate and maintain the rail and bus services – comprising more than 70 percent of total operating expenses. To curb operating cost growth, Metro and its stakeholders need to take action in several areas.

My plan includes specific recommendations and policy changes to improve efficiency, and reduce costs to ensure WMATA's operating budget will be fully funded in future years.

Changing WMATA's business model to address the operating budget issues requires five key changes, including:

- Cap current jurisdictional operating subsidies at three percent annual growth, achieved through aggressive cost containment that will save the region a billion dollars over 10 years.
- Create a "Rainy Day Fund" to incrementally provide 10 percent of the operating budget over 10 years.
- Preserve WMATA's pension commitment to active employees and retirees, but reduce costs by providing 401k retirement plans going forward for all new hires (similar to the step taken for health benefits for new hires).
- Leave binding arbitration intact, but amend the National Capital Area Interest Arbitration Standards Act (aka Wolf Act) to mandate that arbitrators who preside over interest arbitrations render awards that are consistent with WMATA's financial condition and do not exceed the ability or willingness of the funding jurisdictions to pay, as Congress originally intended.
- Curb costs by opening to competition those functions that Metro has the ability to outsource where efficiencies can be gained (e.g. new functions,

operations and facilities, such as Silver Line Phase II). Such a process could invite proposals from both private companies and WMATA Labor Unions when possible.

In addition, the plan includes recommendations to stabilize funding for WMATA's capital budget and ensure WMATA has the resources necessary to continue to improve the safety and reliability of the system.

The plan is available to the public online and a copy is enclosed:

https://www.wmata.com/about/news/GMplan-safe-reliable-affordable.cfm

5. **What is the impact of labor costs, both current and future anticipated costs, on WMATA's financial future?**

Total labor costs, including salaries, wages, and benefits, comprise over 70 percent of Metro's total operating expenses. Labor costs are growing at 1.5 times the rate of revenue, and benefit costs are growing at 2.5 times the rate of revenue. As a result, operating expenses are rising at twice the rate of operating revenues. If current trends continue unchanged, particularly for labor cost growth, annual jurisdictional subsidy contributions will grow to $1.6 billion over the next decade. As I mentioned in response to question four above, I recently released my plan for Keeping Metro Safe, Reliable and Affordable that includes specific recommendations to improve efficiency, change policy, and reduce costs to ensure WMATA's operating budget will be fully funded in future years.

For a detailed response to this question, please see the chart on page 18 of the enclosed PowerPoint presentation entitled: "Operating expense growth is primarily driven by personnel-related expenses."

6. **In your written testimony you discussed WMATA's unfunded pension liability of $1.8 billion. What impact does this unfunded liability have on WMATA's ability to ensure a financially strong and secure system in the future?**

   a. **What steps do you intend to take to address the unfunded pension liability?**

   WMATA has a $1.0 billion unfunded pension liability and a $1.8 billion retiree and other Post-Employment Benefits (OPEB) liability which will continue to grow without action to check expense growth. Continued unfunded pension and OPEB cost growth would cause WMATA's financial condition to deteriorate, impact the agency's credit rating and increase its debt profile and costs to borrow money, which are necessary to ensure proper cash flow.

With regard to OPEB, WMATA has taken actions to limit OPEB. For example, currently, OPEB benefits are not available to any new hires with the exception of Metro Transit Police. WMATA must now work to fund the existing OPEB liabilities. My plan for Keeping Metro Safe, Reliable and Affordable calls for funding an OPEB trust with savings from reduced absenteeism. This trust is authorized in WMATA's FY18 budget. As additional funding is contributed to the trust, the investment returns will be used to support future OPEB expenses, reducing the burden on the local jurisdictions.

With regard to pensions, my plan calls for actions to reduce cost growth such as capping overtime pay in pension calculations and requiring new employees to enroll in a defined contribution plan. The initiatives described in my plan focus on new employees and will protect retirees and those employees close to retirement.

Additional detailed information on this issue can be found on page 23 of the enclosed PowerPoint presentation entitled: "Operating expense growth is primarily driven by personnel-related expenses."

Questions from Rep. Barbara Comstock:

7. **Please provide the total number of WMATA employees at the time this is answered.**

   12,073 (As of April 25, 2017)

8. **Please provide the total amount of salaries/wages paid to all WMATA employees, and please differentiate between base salary/wages and overtime pay.**

   Please see the enclosed document entitled "Congressional Data" for a detailed response to this question.

9. **Please provide the total number of employees in each department or office.**

   Please see the enclosed chart entitled "Total Number of Employees In Each Department or Office".

10. **Please provide the total salary/wage costs of each department and office, and please differentiate between base salary/wages and overtime pay.**

    Please see the enclosed document entitled "Congressional Data" for a detailed response to this question.

11. **Please provide an analysis and related figures on the amount spent on overtime pay and how that impacts the pension system. Please indicate whether or not there are spikes in overtime pay for senior workers within the few years before retirement, examples if applicable, and how that impacts the pension system.**

    Total overtime pay for Metro employees in FY16 (the most recent full fiscal year) was approximately $119 million, of which $78 million was in support of day-to-day operations and $41 million was in support of the delivery of the capital program. For comparison, total operating expenses in FY16 were approximately $1.7 billion, and total capital investment was $1.02 billion.

    Metro has five separate pension plans for its represented and non-represented employees: Amalgamated Transit Union Local 689 ("689"), International Brotherhood of Teamsters Local 922 ("922"), Fraternal Order of Police ("FOP"), Office of Professional Employees International Union Local 2 ("Local 2"), and the Non-Represented Pension Plan ("Non-Rep"). The pension plans for Non-Rep and Local 2 employees were closed to new hires effective January 1, 1999, and the FOP plan does not include overtime in the calculation for retirement benefits. Local 922 has only three percent of active employees and its plan provisions are similar to 689. The Transit Employees Retirement Plan (TERP) for 689 employees is the largest of the five plans. Sixty-eight percent of active Metro employees participate in the TERP, and almost three-quarters of all overtime expenses are attributable to those employees.

    The current collective bargaining agreement (CBA) retiree benefits for 689 employees are based on the highest four years of compensation, including premium pay such as overtime. Additionally, per the CBA, overtime work is assigned voluntarily in seniority order, with the most senior employee assigned available overtime work first and the next senior employee volunteering receiving the next available overtime assignment and so on until the volunteer list is exhausted and the assignments start again at the top.

    The most recent actuarial assumption study for the TERP, covering the years 2009-2013, reviewed premium pay near retirement and found the average percentage of premium pay near retirement to be 14.9 percent for the retiring group compared to 14.7 percent for ongoing active employees. Although some individual employees are able to accrue significant overtime hours immediately prior to retirement, the study does demonstrate that, across the entire 689 employee population, there is not a pattern of increased utilization of premium pay in the years before retirement.

12. **During SafeTrack, Metro has been able to contract a significant portion of work. GM Wiedefeld has stated that there are cost savings to be had, but even in his recent proposal ("Keeping Metro Safe, Reliable & Affordable: An Action Plan to Meet Regional Transit Needs"), there were no specifics**

offered on cost savings realized during SafeTrack. My staff and I have been briefed by some of the contractors working to repair lines of track during SafeTrack who indicated that there are quantifiable, apples-to-apples comparisons that can be made to demonstrate the differences in cost, time, accuracy, and overall efficiency between the contracted workers and WMATA employees. Please provide at least five examples which reflect an apples-to-apples comparison of contracted work versus in-house work, identifying all potential savings in cost, time, accuracy, or any other measure of efficiency. If possible, please diversify your examples amongst the jobs (for example, laying track, rewiring electrical lines, installing insulators, etc.).

Due to the nature of the SafeTrack program, it is difficult to make apples-to-apples cost comparisons, as SafeTrack is utilizing contractors to supplement existing Metro employees rather than directly replace them. In general, Metro fully utilizes available Metro employee crews and supplements with contractors, and at times, the Metro and contractor forces are blended to improve efficiency and maximize output. In larger work areas where more crews can be mobilized, the contractors provide an elastic workforce that can provide 2-3 additional crews, reducing the share of work performed by Metro employees. Metro employees generally execute the more challenging track work, such as switches, rail replacement and tamping and surfacing, making direct comparisons difficult.

To date, SafeTrack (June, 2016 - 23 April, 2017) contractors and WMATA employees have performed the following track work:

ACTIVITY	Contractor / Metro Support		Metro Employees	
Description of Work/Activity	Units Installed	% Installed by Contractor	Units Installed	% Installed by WMATA
Insulators	8,610	69%	3,913	31%
Crossties	20,848	47%	23,287	53%
Fasteners	30,514	61%	19,244	39%
Running Rail (miles)**	-	0%	10.7	100%
Tamping (miles)**	-	0%	32.1	100%
Switches**	-	0%	10.0	100%

***All work performed only by Metro employees*

The use of contractors has the ability to create efficiencies by providing flexibility and supplementing Metro employees at times when Metro personnel are over-utilized. The use of contractors also creates opportunities for additional production while allowing Metro to keep certain maintenance crews available for

emergencies that may arise throughout the system. However, the use of contractors also creates inefficiencies due to the need for Metro to provide escorts and additional quality and safety oversight.

13. At the hearing, we discussed integration of new technologies. Please provide a detailed breakdown and description of the new technologies being incorporated to bring costs down and increase efficiency and safety, and please quantify the cost savings and other efficiencies.

There are many efforts underway at WMATA to integrate new technologies to improve safety and operational efficiency. The examples below are representative of these initiatives:

Tablet Computing and Mobile Records:
WMATA is investigating the use of handheld devices that will allow inspectors and maintainers to take pictures and log defects electronically in the field and have this data auto-populate into the Maximo record system. Mobile device technology facilitates improvement in work velocity, records management, time management and workforce communication while employees are in the field. Tablet computers are being issued in conjunction with the Wi-Fi rollout in select areas of the business to facilitate the delivery of engineering, maintenance and customer-facing services.

Engineering/Maintenance Transaction Systems Standardization:
There is an ongoing multi-year effort to standardize engineering, maintenance and materials management processes at WMATA (the Asset Information Management Program). This constitutes multiple business process reformation and automation projects across various asset management classes including fleet, linear assets (track/power) and structures. As underlying asset information and business processes are standardized, automation is being applied to support inspection, test, measurement, work execution and reporting. This foundational work in business process re-engineering is necessary to maximize the value of subsequent technology investments. There are over 10 specific technology programs with dependencies on this standardization effort.

Internal Rail Wi-Fi Service Deployment:
Wi-Fi services are being deployed at all Metro facilities to provide an edge communications backbone to facilitate the delivery of advanced technical services. These services are employee-facing and support internal Metro business processes, such as employee communications/location services, mobile work order management, vehicle/asset telemetry, employee time keeping and customer information management. Metro anticipates having most facilities complete by the end of FY19 and many associated services rolling out in the same timeframe.

Public Wi-Fi / Station Technology Service Deployment:
Metro is also in the process of providing consumer Internet services in rail stations that are associated with the previously referenced Wi-Fi infrastructure. The technology is similar to what is deployed in sports stadiums and other public venues.

Some of the consumer benefits will include Metro-specific alerts, messaging and notification, access to station-specific content, station maps, navigation aids, and links to nearby consumer services, and "light" broadband access, suitable for texting or web surfing. Since the Wi-Fi grid is geo-referenced to locations via WMATA's Geographic Information Service (GIS) mapping program, it will also provide the potential for location-based communications for WMATA services via station maps.

An internal operations benefit of customer-facing Wi-Fi is the ability to develop better information regarding passenger crowding & movement in the rail system by counting/mapping devices, calculating device dwell time at locations and crossing this data with train movement information to produce actionable business intelligence. This information can then be published as a real-time station crowding indication, train crowding indication and yield other useful operational statistics about customer behaviors while in the system, both for customer-facing publication and internal operations. Lastly, it is anticipated that additional customer services will be enabled via kiosks to augment the services currently provided by station managers, such as fare management tools, customer "push to talk" assistance and personalized travel related services as they are developed.

Employee Timekeeping (MetroTime):
A notable project that will begin deployment in FY18 is automated timekeeping for all maintenance and non-represented staff at WMATA (Kronos timekeeping project). This is a multi-year project that was initiated in FY16 to automate 13 non-standard time reporting processes. All of the time reporting codes, collective bargaining agreements and policies have been automated in this effort. Employees will be able to enter time, request leave, assign time to projects and ultimately, perform other tasks such as shift picks through time clocks, mobile devices and desktop computers once this project is completed. It is anticipated that this will support downstream processes such as project costing, fatigue and absence management.

Roadway Worker Protection (RWP):
WMATA is studying new technologies to improve roadway worker safety and improve the quality and timeliness of field inspection and maintenance data. With regard to roadway worker safety, WMATA is piloting bi-directional Roadway Worker Protection (RWP) technology that will alert the train operator that a worker is in the roadway and would alert the worker that a train is approaching. WMATA recently received an FTA grant to advance this initiative. In addition, the

FTA grant is intended to have the boxes be capable of tracking the presence of armbands worn by employees to determine their location within the system.

WMATA has installed fourteen Protran boxes between National Airport and Braddock to address blind curves in this area. The Protran boxes are affixed at Emergency Telephone Station (ETS) or otherwise known as "Blue Light" locations where emergency telephones are housed. The Protran boxes are triggered by an employee wearing an armband encroaching upon the area, which causes the yellow LED bulbs on the box to begin to flash. Once a single box detects an employee, all of the boxes that are networked together simultaneously flash. The flashing yellow (amber) lights provide a visual cue to train operators that employees are in the immediate area and require them to reduce the speed of their train and sound their horn. Once a train is detected by a Protran box, an alert is transmitted to the employees' armband that triggers an audio and visual alarm informing them of the approaching train. The employees are required to move to a place of safety. WMATA is in the process of prioritizing additional locations for installation of Protran boxes. The grant will allow WMATA to purchase approximately 225 boxes and approximately 200 armbands. It is important to note that, as the boxes are deployed throughout the system, some areas will require multiple boxes to cover a single location.

14. **Please estimate and provide the amount or percentage of work (for instance, inspection work) that is being done with pen and paper versus new technologies. Further, please describe efficiencies in cost, time, accuracy, and any other relevant and measurable efficiencies.**

Currently all documentation for inspections and maintenance work is completed on paper in the field (i.e. inspection checklists, preventative maintenance checklists, etc.) and the information is then inputted into Maximo after the field work is completed. As outlined in question #13, staff is investigating technology that would allow data to be recorded electronically in the field and automatically uploaded into the Maximo system.

Questions from Ranking Member Gerry Connolly:

15. **According to Metro's website, quote, "Before Metro can be great, it must first be good. Back2Good is our plan to deliver safe and reliable service for our riders."**

    a. **By what date can customers reasonably expect Metro to finally be "Back2Good"?**

    The Back2Good program is a one-year (January 2017 to December 2017) program with specific and measurable deliverables

b. When Metro arrives back at "Good," what will the system look like? What can customers expect to experience when the system is "Good" again and how will this be better than the current customer experience?

The Back2Good is a discrete one year program with specific goals. For rail services at the end of 2017 the following will be accomplished through the Back2Good program:

- New software will be installed onboard trains to aid in the reduction of red signal overruns.
- Stations with the highest frequency of red signal overruns will have signals upgraded with LED bulbs.
- Complete work on schedule for installing the public radio system and activating cellular service in the tunnels as work is completed, with certain Blue/Orange and Red Line segments coming online in 2017.
- Complete the SafeTrack program.
- Commencement of the preventative maintenance program.
- Completion of the Railcar Get Well Plan which will reduce passenger offloads and cut delays due to railcar issues by 25 percent:
  - By the end of 2017 all eight-car trains will be 7000 series consists
  - All 1000 series cars will be retired by the end of 2017.
  - All 4000 series cars will be removed from service by the end of 2017.
  - Complete all component fixes on the legacy fleet (2K, 3K, 5K, & 6K).
- All 91 rail stations will be on an annual power washing, scrubbing and polishing schedule which will improve the surfaces that commuters touch and walk on.
- Stations undergoing major renovations in 2017 will also receive lighting upgrades to increase brightness and visibility on mezzanines and platforms.

For bus services, we will leverage Geographic Information System (GIS) technology to integrate real-time traffic data to improve bus operations and begin testing a zero emission, battery powered bus that could become the bus fleet vehicle of the future.

c. When it is finally "Good," what specific safety standards and metrics will Metro have achieved that it currently fails to meet?

As a result of completing the items listed in 15b it is expected that at the end of Back2Good (December 2017) that passenger offloads due to railcar issues will be reduced by 25 percent and that red signal overruns due to train operator inattentiveness will decrease.

d. How will ridership levels and trends factor into Metro's assessment of whether it has really achieved "Good" again?

The focus of the one-year Back2Good program is to improve the customer experience, improve worker safety, and reduce offloads and delays due to railcar issues. The success of this program will be determined on how well the specific items in the response to question 15b are achieved. Our customers tell us that their number one concern is reliability. Following the conclusion of SafeTrack, Back2Good, and the implementation of a preventative maintenance program, the reliability of the Metrorail system will improve which will have a positive impact on ridership levels. For example, as discussed in 15c above, it is expected that at the end of Back2Good (December 2017), that passenger offloads due to railcar issues will be reduced by 25 percent. Many external issues can impact ridership levels, including fuel prices and competition. However, WMATA is working to win back riders by focusing on the items that it can control, such as the reliability of the fleet and the other actions under Back2Good detailed in 15b above.

16. Mr. Wiedefeld wrote in his written statement, "In 2016, we reduced track-related delays by seven percent, including delays caused by smoke, fire, or arcing insulators (compared to previous year)."

e. While reductions in delays year-over-year are good, what levels of delays caused by smoke, fire, or arcing insulators will Metro consider acceptable when it is finally "Good" again?

The Back2Good program focuses on putting in place and expanding preventative maintenance programs that will help detect the environments that can cause smoke, fire and arcing events in the rail system. At the end of 2017 these PM programs will have been scheduled and with implementation beginning around July 1, 2017. The results of these programs will be reported on after two years, which will be Spring/Summer 2019.

17. Mr. Wiedefeld wrote in his written statement that under the "Get Well" program, Metro "will reduce passenger offloads and delays by at least a quarter by the end of 2017."

f. What is the baseline against which these reductions will be measured and, as with track-related delays, is there an acceptable target for offloads and rail car-related delays that Metro is working to achieve?

The 25 percent reduction in offloads and delays in calendar year 2017 will be measured against calendar year 2016.

g. Will Metro adopt any new performance metrics as part of the Back2Good program? If so, when will these be rolled out?

Yes, for 2017 Metro is adopting new performance metrics, which will be added to the quarterly Vital Signs report. The new performance metrics are aimed at measuring the health of rail system through the tracking of speed restrictions and a new Rail Infrastructure Availability measure. In combination these two metrics will track how often the rail system (track, signals, traction power) is available and functioning as designed and the percentage of time the rail system is taken out of service for either planned or unplanned maintenance.

h. How will you hold employees accountable for achieving these metrics and making progress toward "Good"?

The Chief Operating Officer (COO) holds monthly RailStat meetings to review performance metrics where progress on key initiatives is reviewed and discussions are held on metrics, root causes, and strategies forward. As WMATA moves from a triage mode to more of a planning and executing mode these metrics will be established earlier (October/November) so that they can be used to establish both department/office business plans and individual employee performance plans for the upcoming calendar year.

I look forward to continuing to work with you and the Members of the House Committee on Oversight and Government Reform to restore the Metrorail system. If you have additional questions, please ask Congressional staff to contact WMATA's Congressional Relations Officer, Scott Goldstein, at sgoldstein@wmata.com or 202-962-1333.

Sincerely,

Paul J. Wiedefeld
General Manager and
Chief Executive Officer

cc: The Honorable Barbara Comstock

Enclosures

Keeping Metro Safe, Reliable and Affordable

- With the FY 2018 budget now approved, it's clear this model of fare increases, service cuts, subsidy increases, and workforce reductions cannot be replicated year after year.

- WMATA must change its business model, as operating expenses are growing at nearly twice the rate of revenues.

- Additionally, WMATA's federal and regional capital funding expire in just one year, jeopardizing the progress made through SafeTrack and 50 corrective actions closed in the past year in response to federal safety recommendations.

- GM/CEO Paul J. Wiedefeld has moved quickly to release a comprehensive funding analysis to inform stakeholder discussions around Metro's financial needs.

- When it comes to capital needs, the General Manager's assessment concludes:

    - Metro requires $15.5 billion in capital funds over the next 10 years.
    - Acknowledging the economic return on its investment and the quality of life of residents and visitors, the region needs to demonstrate its support for Metro by committing to a multi-year, stable revenue source generating $500 million per year for a regional Capital Trust Fund
    - Capital Trust Fund should have a lock box feature - dedicated to capital investment.
    - Jurisdictional capital contributions should be capped at 3% annual growth.
    - As the seat of the federal government and key component of the transportation and security network of the nation's capital, Congress needs to reauthorize and fund federal capital investment (PRIIA) in safety and reliability at least at current level of $150 million per year.

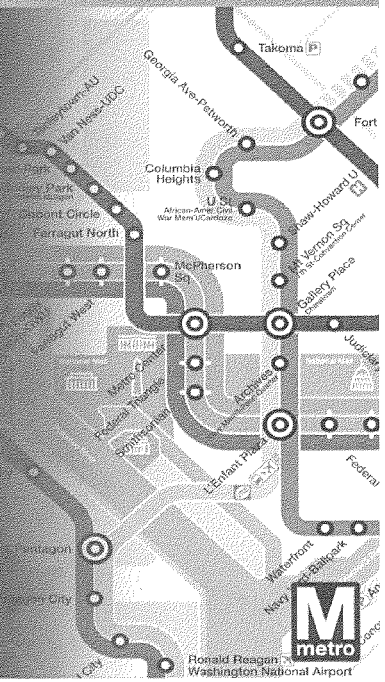
- Changing WMATA's business model requires five key changes, including:
    - Cap current jurisdictional operating subsidies at 3% annual growth, achieved through aggressive cost containment that will save the region a billion dollars over 10 years.
    - Create a "Rainy Day Fund" to incrementally provide 10% of the operating budget over 10 years.
    - Preserve WMATA's pension commitment to active employees and retirees, but reduce costs by providing 401k retirement plans going forward for all new hires (similar to the step taken for health benefits for new hires).
    - Leave binding arbitration intact, the assessment identifies the need to amend the National Capital Area Interest Arbitration Standards Act (aka Wolf Act) to mandate that arbitrators who preside over interest arbitrations render awards that are consistent with WMATA's financial condition and do not exceed the ability or willingness of the funding jurisdictions to pay, as Congress originally intended.
    - Curb costs by opening to competition those functions that Metro has the ability to outsource where efficiencies can be gained (e.g. new functions, operations and facilities, such as Silver Line Phase II). Such a process could invite proposals from both private companies and WMATA Labor Unions when possible.

- The changes contained in this assessment do not require changes to the WMATA Compact.

Washington Metropolitan Area Transit Authority

Keeping Metro Safe, Reliable & Affordable

An Action Plan to Meet Regional Transit Needs

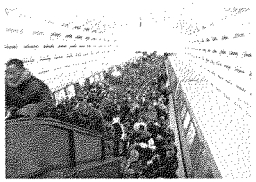


Summary

- Metro is an essential driver of the region's economic growth; however, it is at a critical juncture as the organization faces structural operating and capital investment challenges, putting these benefits at great risk
- Metro has begun to respond to these challenges, focusing on safety, service reliability, and financial responsibility over three horizons: righting the ship in 2016-17, Back2Good in 2017-18, transform Metro in FY2019 and beyond
- Metro, however, cannot deliver on this transformation alone: Metro has $15.5 billion in critical capital needs over the next 10 years, and operating costs are rising at nearly twice the rate of non-subsidy revenues
- Metro requires stable capital investment and flexibility to operate efficiently and maintain a safe and reliable system:
  - Capital
    - Metro's Capital Program to fund safety and reliability should grow to a $1.5 billion average annual investment
    - Congress should reauthorize PRIIA at least at current levels ($1.5 billion over 10 years)
    - Region should commit to multi-year, stable revenue source that will provide $500M/year for a new Capital Trust Fund
    - Capital Trust Fund should have a lockbox feature to dedicate for capital investment
    - Region should maintain current levels of jurisdictional capital funding with 3% annual growth cap
  - Operating
    - WMATA should preserve its pension commitment to active employees and current retirees, but reduce costs by providing 401K-like retirement plans for all new employees (similar to the step taken for health benefits for new hires).
    - Region should provide flexibility to reduce costs with innovative approaches including competitive contracting of targeted functions, where permitted (e.g. new services, operations and facilities, such as Silver Line Phase II)
    - Congress should amend the National Capital Area Interest Arbitration Standards Act to require arbitration process that more meaningfully considers Metro's financial realities
    - Region should create a Rainy Day Fund of 10% of total operating budget to manage against unexpected events
    - The jurisdictions will save $1B over 10 years by capping Metro's annual operating subsidy growth at 3% per year, establishing a rainy day contingency fund, and supporting transformative efforts to operate more efficiently
- These actions do not require changes to the WMATA Compact

Metro is critical to the region

Drives economic growth in the region



Provides easy access to jobs (54% of jobs are within 0.5 miles of a Metro station) and increases property value near Metro stations by 7-9%

Improves quality of life and mobility of residents

Allows ~30% of riders to live a car-free lifestyle and supports over 1 million trips every single day, composing ~20% of mode share in the region

Promotes environmental sustainability

Improves air quality by avoiding emission of 260 tons of volatile organic compounds, 22 tons of particulate matter, and 500K tons of CO2 from reduced auto use

Attracts new residents by making region affordable

Saves households a combined $705 million in yearly time savings, irrespective of their Metro usage

SOURCE: Making the Case for Transit: WMATA Regional Benefits of Transit (November 2011); WMATA Transit Ridership Trends & Markets

Without Metro, the region's economy would suffer

Congestion would further worsen gridlock on roads

- Congestion would increase by 25%, costing over $1.5B in wasted fuel and time
- 1 million more auto trips would be made per day
- 8% increase in vehicle miles

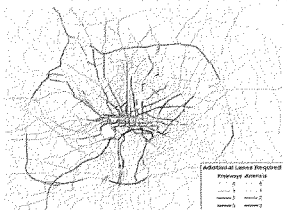
The regional economy would decline

- $235 billion of property value is within a half-mile of Metrorail stations
- Lack of reinvestment could depress regional tax revenues by $1-2 billion annually

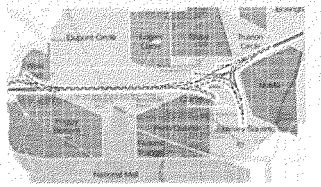
Significant new construction would be needed to support the high influx of auto traffic

- 1,000 lane-miles of new pavement would be needed, the equivalent of two new Beltways
- 200K new parking spaces in the downtown core would be needed, the equivalent of 166 blocks of 5-story garages

Additional lanes required



1970s plan for an interstate through DC core



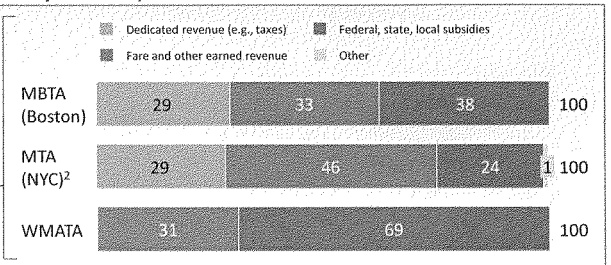
SOURCE: Making the Case for Transit: WMATA Regional Benefits of Transit (November 2011)

Metro has structural capital and operating funding challenges

Chronic capital underinvestment

- Substantial deferred capital backlog
- Historic focus on system expansion, rather than maintaining existing assets
- Large maintenance costs associated with a 40-year old transit system
- Limited maintenance and rehabilitation opportunity due to "2-track" design and constrained work hours
- One of the only major US transit systems without a dedicated funding source
- Reliant on unpredictable annual local, state and federal investments

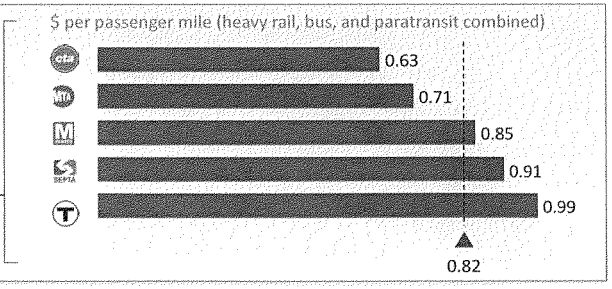
Major transit system total revenue sources[1]



Unsustainable operating model

- Structural operating funding deficit ($290 million in FY2018)
- Labor-intensive operation – over 70% of operating budget funds personnel
- Substantial legacy commitments on wages, pension and health benefits
- Somewhat higher operating costs compared to industry benchmarks
- No "Rainy Day" or contingency fund

Operating expenses



1 May not exactly match agency budgets because National Transit Database numbers were used for consistency
2 Excludes Long Island Railroad, Metro-North Railroad, and MTA Bridges and Tunnels because WMATA does not have comparable modes
SOURCE: National Transit Database 2015; Capital Needs Inventory: Inventory and Prioritization (November 2016)

The region must address challenges in three horizons

2019 and beyond

3 Larger-scale transformation

World-class US transit system across safety, operating, and financial performance

2017-2018

2 Back2Good

New initiatives on customer experience, revenue, and accelerating capital investments

2016-2017

1 Right the ship

Emergency actions to address crisis

1 Metro is focused on safety, reliability, and fiscal responsibility

Safety

- Recruited high-caliber safety, operations and capital program executives and established independent quality assurance and internal audit function
- Launched SafeTrack, an emergency repair program designed to do three years' worth of work in one year, immediately address the worst track conditions, and prevent further incidents through careful inspections and quality control measures
- Worked with federal partners to close 50 safety-related corrective actions
- Communicated and implemented new value statement, "Safety Trumps Service," to entire Authority and enacted accountability reforms

Service reliability

- Accelerated delivery of new 7000 Series railcars to 20 cars per month to improve service reliability
- Expanded the maintenance window by ~25% to increase preventive inspection and maintenance
- Placed a greater emphasis on customer service by:
  - Introducing a 15-minute grace period, where customers receive a refund if they enter and exit the same rail station in 15 minutes or less.
  - Creating a social media customer support initiative that responds to ~ 70% of @wmata mentions
- Launched MyTripTime that allows customers to measure their daily commute experience based on when they tap in and out of the system

Financial responsibility

- Ended FY2016 on budget and completed audit on time, with no new findings for the first time in 3 years
- Reduced short-term debt by $150M by the end of FY2016
- Capital program reinvested $1B into the system in FY2016 – highest annual level ever
- Recovered over $1.3B of grant expenses and restored federal ECHO privileges for future grant reimbursements
- Saving more than $500M over ten years through efficiencies:
  - Workforce reduced by 700+ positions and brought non-represented healthcare benefits in line with region

Metro is focused on the issues customers say are most critical: **Safety and Reliability**

2 FY2018 "Reality Check" budget to get Back2Good

Safety

- Add more than 200 new railcars with advanced safety features
- Upgrade public radio signals and cellular service throughout system
- Install new software onboard trains to help prevent operators from running through red signals, and new LED red signals for improved visibility
- Develop new technologies to protect workers in hazardous areas
- Install new lighting on platforms to increase visibility

Service reliability

- Refocus efforts from SafeTrack to preventive and best-in-class maintenance practices, including reliability-centered maintenance, to mitigate the risk of future emergency conditions and reduce train delays by 50%
- Execute railcar "Get Well" program, including initiatives to retire the oldest railcars and refurbish legacy fleets with new propulsion and braking systems to reduce passenger offloads and railcar delays by 25%
- Solicit feedback in the form of peer reviews in order to streamline responsibilities, clarify duties, improve incident response, and better manage station operations
- Leverage GIS technology to integrate real-time traffic data for bus operations
- Install Wi-Fi connectivity in half of all stations

Financial responsibility

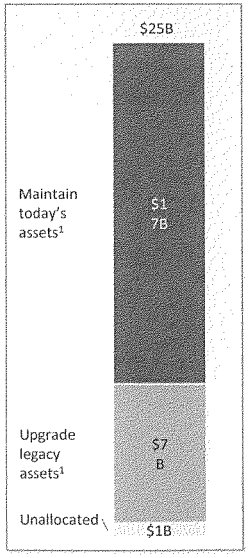
- Further reduce costs by eliminating 100 more positions, for a total position reduction of 800 since 2016
- Competitively contract functions, including quality assurance programs
- Deploy 95% of capital program budget, up from 65% baseline
- Launch AbilitiesRide pilot program for Maryland MetroAccess customers to reduce operating costs for Metro
- Transform capital program prioritization process, including an improved Capital Needs Inventory
- Launched agency-wide initiative to control Absenteeism, Workers' Compensation and Overtime

3 Transforming Metro requires capital investment and flexibility

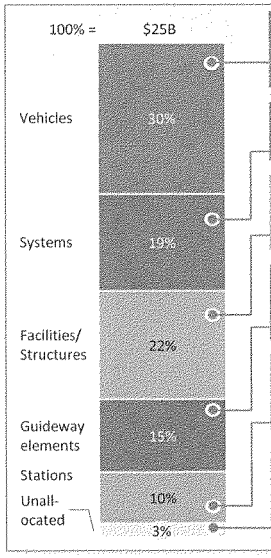
	Metro's challenge	Metro's needs	Metro's commitments
3A Capital	▪ $15.5B in capital reinvestment required over ten years, of which only $1.25B is currently funded ▪ Backlog of safety and reliability needs must be addressed ▪ One of the only top transit systems without dedicated funding	▪ Stable capital funding — Reauthorization of federal PRIIA funding — Maintenance of jurisdiction funding, with 3% growth cap — Additional $500M stable funding dedicated to capital	▪ Prioritize safety and reliability projects ▪ Deploy 95% of annual capital budget ▪ Deliver projects on time and on budget ▪ Implement a development and evaluation program to prioritize and prepare for future major capital projects — Red Line Core Capacity — Red Line Water Remediation — Rosslyn Tunnel — Gallery Place, Union Station, etc. — Bladensburg Bus Garage
3B Operating	▪ Operating costs are rising at nearly twice the rate of non-subsidy revenues - annual revenue would have had to grow 2.5 times faster in FY2011-15 to keep pace with costs ▪ Personnel cost (wages and benefits) is largest and fastest growing expense category	▪ Support on major policy and service level decisions, including clarification of binding arbitration process ▪ Create a Rainy Day fund to manage unexpected disruptive events	▪ Use the most efficient and effective means to provide service — Competitive contracting of targeted functions, where permitted (e.g. new services, operations and facilities, such as Silver Line Phase II) ▪ Optimize service to demand ▪ Address rapid growth in largest cost categories — Labor, Benefits, Pension, and OPEB — MetroAccess

3A Well-funded capital investment supports safe, reliable service

Ten-year capital needs focus on maintaining today's assets
Needs by category, $B



Critical projects are unfunded
Needs by asset class, percent, $B



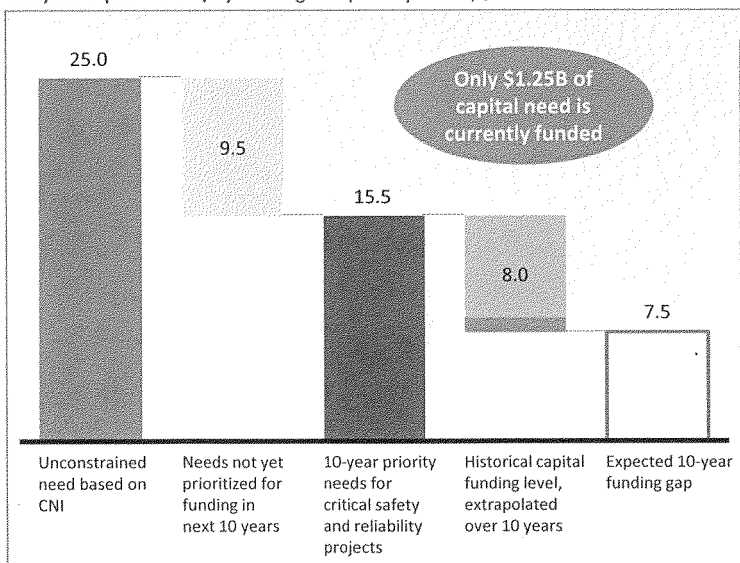
Example projects requiring funding

New railcar fleet		▪ 748 new 7000 series cars ▪ Accelerated replacement of 2000 and 3000 legacy cars ▪ Enables all 8-car trains
Radio and wireless		Complete upgrades to radio system and underground wireless infrastructure
Andrews Bus Garage		New bus operations and maintenance facility, fuel and wash buildings, heavy repair & overhaul, and other structures
Track Rehab		Annual program to replace components (crossties, fasteners, switches, insulators), based on condition
Fare gates		Replace and modernize existing fare collection assets
Development & Evaluation (D&E)	Planning, development, and evaluation for next generation transformational projects	▪ Red Line Core Capacity ▪ Red Line Water Remediation ▪ Rosslyn Tunnel ▪ Gallery Place, Union Station, etc ▪ Bladensburg Bus Garage

1 In Metro's Capital Needs Inventory, "maintain today's assets" needs are labeled "State of Good Repair needs" and "upgrade legacy assets" are labeled "new needs"
SOURCE: 10-Year Capital Needs: Inventory and Prioritization (November 2016)

3A $15.5B of capital investment is required over next 10 years for safety and reliability

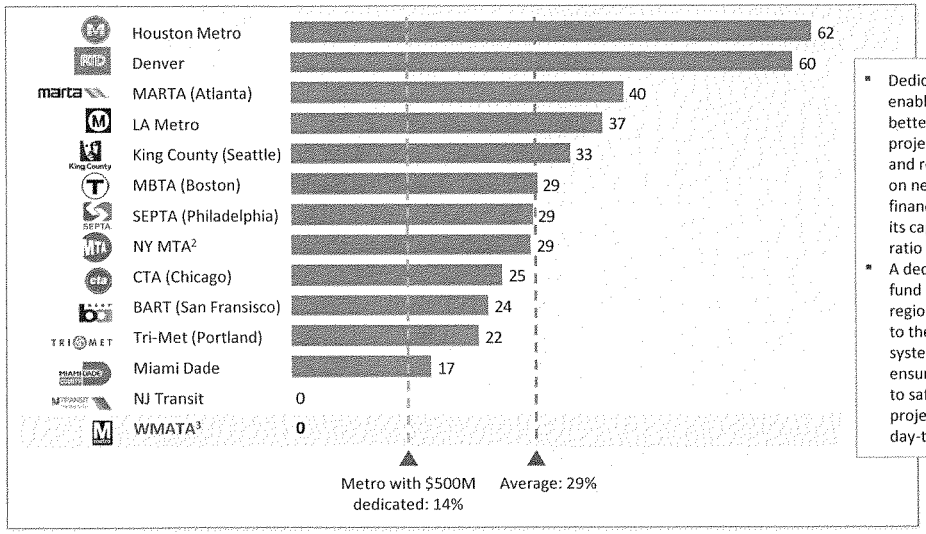
Ten year capital needs, by funding and priority status, $B



- Metro has $25B in capital needs over the next ten years. Capital needs were identified through a CNI process
- $15.5B is required for critical safety and reliability projects
- Currently, only the first year of the FY2018-23 capital program is funded, at $1.25B
- Maintaining historic capital funding levels would leave an unfunded gap over 10 years that would:
  - Keep Metro's assets in a state of disrepair
  - Inhibit completion of safety, reliability, and compliance projects
  - Continue service disruptions and delays in the system

3A Most other transit systems receive dedicated funding

Share of 2015 revenue from dedicated funding, Percent[1]



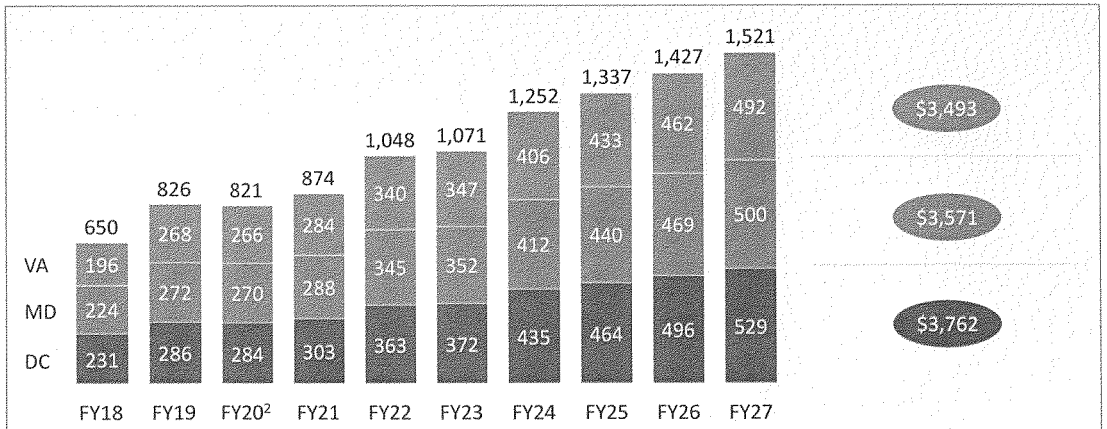
- Dedicated funding enables Metro to better plan large-scale projects, reduce time and resources spent on negotiating annual financing, and increase its capital deployment ratio
- A dedicated capital fund represents a regional commitment to the future of the system, and will ensure these funds go to safety and reliability projects, rather than day-to-day operations

1 The Federal Transit Administration defines dedicating funding as funds that must be spent on the provision of transit service, including dedicated taxes, tolls, Community Development Credits (Toll Revenue Credits), and other funds (e.g., lottery proceeds, fees on utility bills, etc.)
2 Excludes Long Island Railroad, Metro-North Railroad, and MTA Bridges and Tunnels because WMATA does not have comparable modes
3 WMATA receives ~$30M each year from a tax that is dedicated towards a subsidy to WMATA, which is distinct from a dedicated fund for WMATA itself

SOURCE: National Transit Database 2015

3A Without dedicated funding, limited regional resources will be consumed by growing capital needs

Yearly needed capital contribution by jurisdiction – estimate, $M



Total 10-year contribution, $M[1]

- Today, Metro's capital needs compete with a jurisdiction's other annual needs
- Dedicated capital gives Metro ability to leverage capital markets, reducing the annual cost impact on the region

1 Total does not sum to $15.5B because federal funding is omitted

3A Stable capital investment needed from federal and regional partners

- **Congress should reauthorize PRIIA at least at current level of effort** ($1.5 billion over 10 years) to ensure funding for critical safety and reliability projects
- **Region should maintain current levels of capital funding with a 3% annual growth cap** (to adjust for construction cost inflation)
- **Region should commit to an additional multi-year, stable revenue source not subject to annual appropriation and that does not expire, which will provide $500M/year to a "lockbox"** dedicated exclusively to a Capital Trust Fund for safety and reliability investment, and prohibited from use for day-to-day operations

3A Metro and region will ensure a safe, reliable and effective system

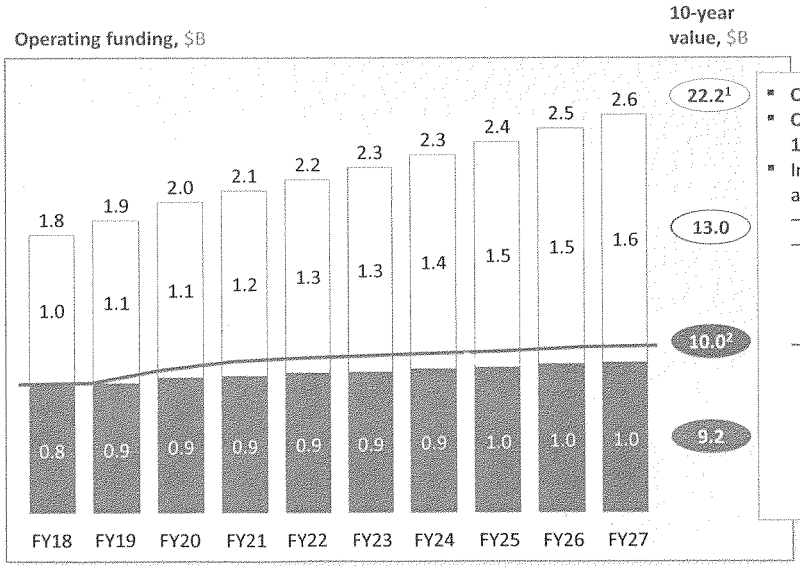
Asset class	Impact of investments
Vehicles	▪ 748 new 7000 series railcars in service ▪ 2000-3000 series railcars replaced with 8000 Series ▪ 85% of railcar fleet will be new vehicles ▪ Modern & well maintained Metrobus & MetroAccess fleets
Systems	▪ New radio and wireless system for customers, first responders & operations ▪ New wayside-worker protection, fire life safety, and train control signal systems ▪ Power system upgrades for safety, reliability and more 8-car trains ▪ Modernized fare collection and information technology infrastructure and applications
Facilities/ Structures	▪ Complete Cinder Bed and Andrews Federal bus garages ▪ Complete rehabilitation of railcar maintenance facilities ▪ Complete rehabilitation of rail bridges and structures
Track	▪ Address the remaining 80% of track not yet replaced in SafeTrack to ensure safety and reliability
Stations	▪ Replace or rehabilitate escalators and elevators ▪ Rehabilitate station platforms and improve lighting ▪ New stations at Potomac Yard and Silver Line Phase 2
D&E	▪ Develop the next generation of capital projects to improve safety, reliability, and capacity, such as Red Line water remediation, replacement bus garages, railcar overhaul facility, Rosslyn tunnel, and projects to resolve safety and circulation challenges in core stations including Gallery Place, Metro Center, & Union Station

Metro will follow best practice in delivering the capital program

- Prioritize safety and reliability projects
- Deploy 95% of annual capital budget
- Implement cost-effective design and construction approaches
- Deliver projects on time and on budget
- Revamp capital process and implement D&E program
- Expand reliability-centered maintenance program, including asset-specific, data-driven maintenance

3B Projected operating cost growth is unsustainable

Revenue | Operating subsidy | Revenue from 100,000 additional riders beginning in FY2019 (return to peak ridership level experienced in 2009)

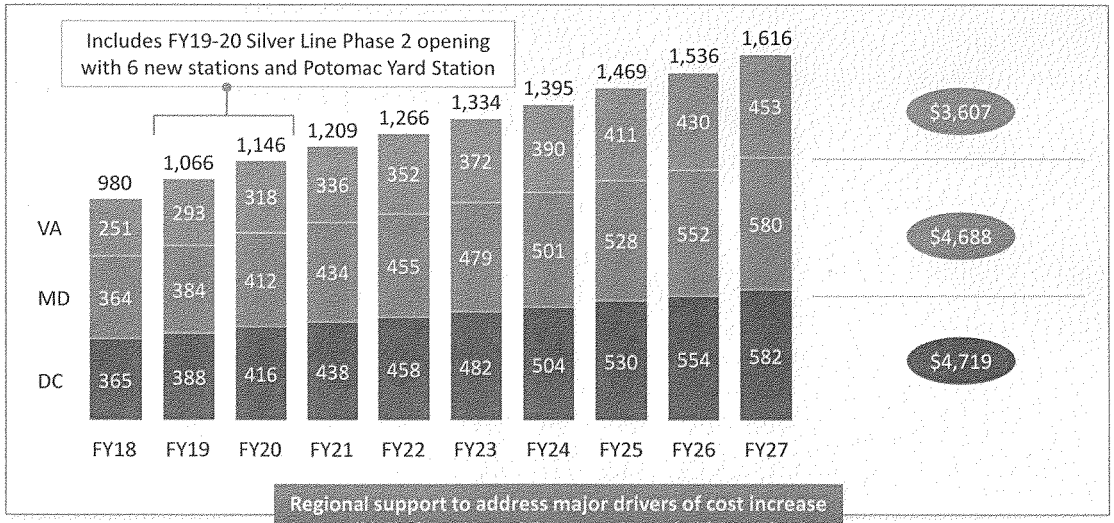


- Operating subsidies are set annually
- Operating subsidy is $13B over next 10 years, if no further action is taken
- Increasing revenues alone cannot avoid operating subsidy increases
  - Assumes biennial fare increases
  - Returning to peak 2009 ridership (an additional 100K riders) would still leave a $12.2B subsidy need over 10 years
  - Revenue currently covers less than half of expenses and has historically grown at a slower rate than expenses; even if the revenue growth rate matches cost growth, operating subsidy would still increase

1 Includes Silver Line Phase 2 and Potomac Yard Station
2 Includes base revenue and impact of an additional 100,000 riders beginning in FY2019

3B Without action, operating subsidy need from jurisdictions increases significantly

Yearly operational contribution by jurisdiction – estimate[1], $M



Total 10-year contribution, $M

$3,607

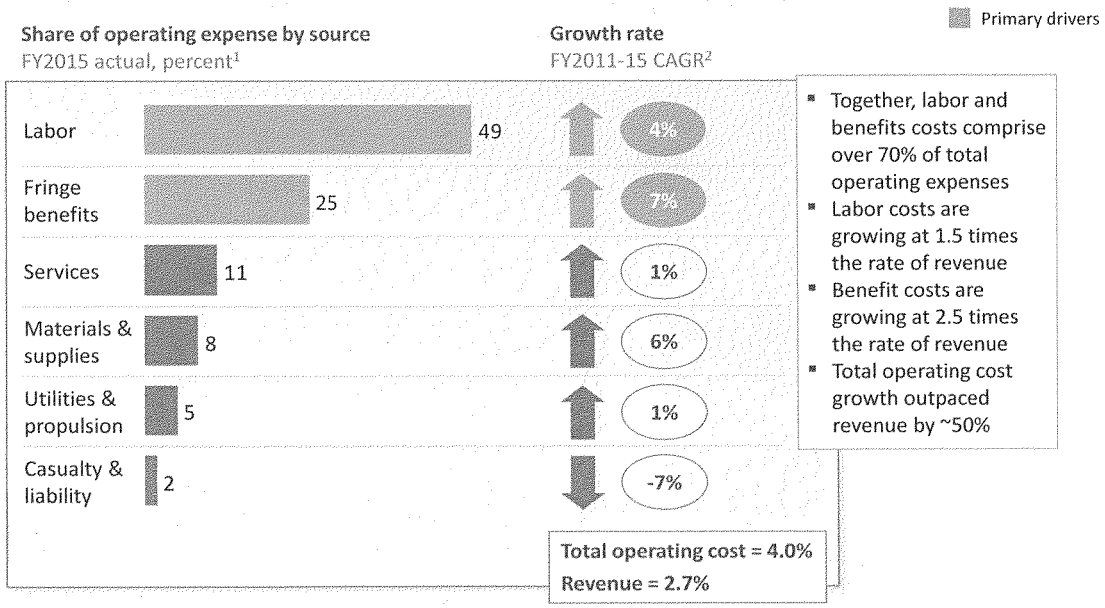
$4,688

$4,719

Regional support to address major drivers of cost increase will help limit growth in operating subsidy needs

1 "Status quo" scenario

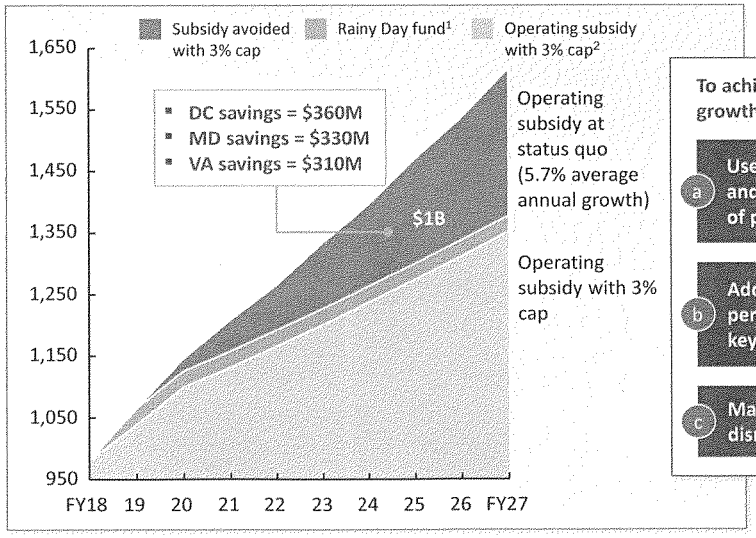
3B Operating expense growth is primarily driven by personnel-related expenses



1 Does not include "other" categories (e.g., leases & rentals, taxes, reimbursement, and miscellaneous), which have a combined relative share of <1%
2 Compound annual growth rate (CAGR)

3B The region will save $1B by capping Metro's annual operating subsidy growth at 3%

Operating subsidy avoided with a 3% cap on subsidy growth, $M



To achieve a 3% cap in operating subsidy growth, Metro will use three strategies

a	Use most efficient and effective means of providing service	▪ Competitive contracting ▪ Optimizing service to demand
b	Address Metro's personnel and other key cost categories	▪ Labor costs ▪ Pension and OPEB liabilities ▪ MetroAccess costs
c	Manage unexpected disruptive events	▪ Rainy Day Fund

1 Based on 10% of FY2027 operating budget, shown as $234M spread evenly across FY2019-27 (9 years)
2 Includes additional subsidy for Silver Line Phase 2 and Potomac Yard Station; excludes Rainy Day fund

3B.a Competitive contracting will improve efficiency

Competitive contracting can generate revenue, reduce costs, and/or improve efficiency and effectiveness of service

Competitive contracting is a useful tool in certain situations, including where some of the following are true:

- Potential for efficiency or effectiveness gains
- Minimum service levels can be cost-effectively managed (e.g., through performance-based contracts)
- Private demand and competition drive down cost of service provision
- Metro lacks expertise or scale
- Function does not implicate security interests

Examples of how other systems have deployed similar approaches

- Los Angeles Metro outsourced ~10% of its bus service; contracted service is 43% less expensive per mile and has 6 points higher on-time performance
- Ohio State University gave a 50-year lease on parking facilities for $483M to a private firm and used returns from investing the upfront payment for core services (e.g., faculty, financial aid)
- Outsourced railcar overhauls and heavy maintenance of major components (e.g., traction motors, trucks, HVAC, etc.)
- Outsourcing warehouse operations and cash counting, saving >$70M over 5 years, and is considering outsourcing bus maintenance for savings of ~$40M per year – relying on attrition and no layoffs

3B.b Current binding arbitration process contributes to labor cost growth

Metro's current bargaining process

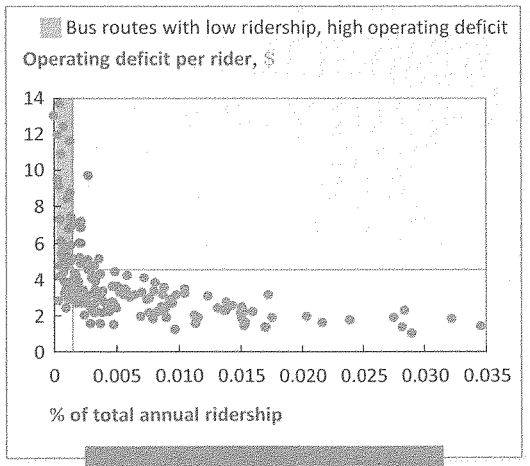
- Bargaining impasse is resolved before a 3-member panel
- Arbitrator's award is binding
- Federal legislation requires arbitrators to consider factors including "funding ability" and "public welfare," but arbitrators have not given due weight to these factors
- Requiring arbitrators to give proper consideration to these factors will require clarifying federal legislation

Amend the National Capital Area Interest Arbitration Standards Act to:

- Require Arbitrators to consider only specific enumerated factors
- Issue awards consistent with WMATA's financial condition
- Issue awards that will not exacerbate WMATA's financial and operating challenges
- Issue awards that do not exceed the ability or willingness of the funding jurisdictions to pay

3B.a The region must align on Metro's mission, including service levels

Metro's service is not all evenly utilized



Routes with very high subsidy make up a small proportion of annual ridership

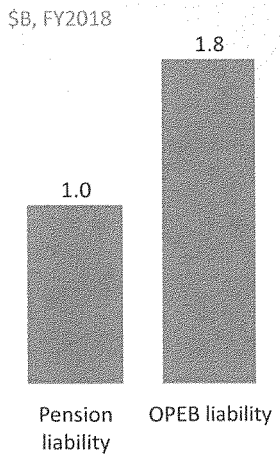
Other systems have had success with fundamental rethinks of their service levels and approach

	What they did	Impact
cta	Chicago rebuilt its service map from the bottom-up, adjusting service to meet demand	Reduced bus service miles by 18% and rail by 9%, but only reduced ridership by 0.9%
METRO Austin, TX	Changed from a hub-and-spoke structure to a grid, eliminated low-ridership routes, and dramatically increased bus frequency	6.8% increase in bus and light rail ridership one year after introduction of new service structure, with no increase in cost
King County METRO Seattle, WA	Replaced low-ridership bus routes with access to Dial-A-Ride	Enabled investment in increased service on crowded lines while maintaining transit access

SOURCE: WMATA Bus Productivity Report 2015, CTA annual report, Metropolitan Transit Authority of Harris County, King County Metro, National Transit Database

3B.b Legacy pension & OPEB liabilities require regional support

Metro's unfunded pension & OPEB liabilities



Potential principles to address these deficits

- Setup an OPEB trust, to be funded through efficiencies (e.g., reduced absenteeism)
- Cap overtime pay in pension calculations
- Require new employees to enroll in defined contribution plan; **continue defined benefit plan for existing eligible employees and retirees**
- Similar to other new employees, limit new police employee eligibility for OPEB

How other public agencies addressed similar challenges

Comprehensive pension and retiree health reform helped the CTA pension go from ~30% funded in 2007 to >60% today – and on a path to full funding

California banned practices such as "pension spiking," and made changes to benefit and contribution levels for new employees only

Atlanta reduced pension liability by $500M+ and avoided layoffs with union-supported reforms: enrolling new staff in a defined contribution plan and increasing current employee cash contributions

Metro will protect retirees and those employees close to retirement, as initiatives focus on new employees

3B.b MetroAccess will continue innovation to lower costs

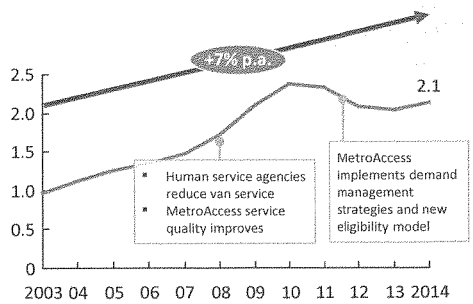
MetroAccess costs have grown rapidly, with limited ability to control cost

- MetroAccess is a critical part of WMATA's operations, providing >2M trips annually to customers with disabilities in the WMATA transit zone
- Ability to control cost is limited
  - Service level is mandated
  - Fares are capped by law
- Historically, demand and cost have increased at rates well beyond targeted 3% subsidy growth cap rate

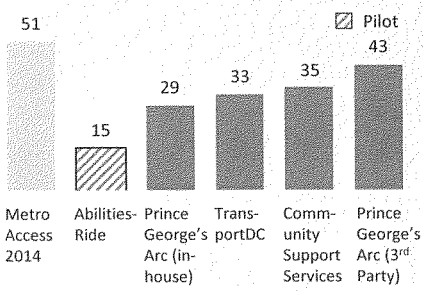
Metro has experimented with innovative models to reduce costs

- Metro's cost per trip is below peer average
- Metro has conducted several pilots, including using taxis, that have delivered lower costs per trip
- Metro is launching the AbilitiesRide pilot in 2017 with Maryland customers, which is projected to reduce costs per trip by 66%

MetroAccess trips, Millions of trips, by FY



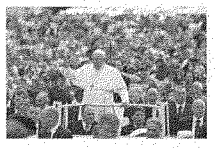
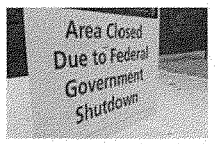
Per trip operating cost, $



- Metro will continue to seek ways to reduce costs
- If cost growth cannot be slowed from its historic rate, jurisdictions may need to assume responsibility for paratransit to keep Metro within the 3% subsidy cap

SOURCE: George Mason University Center for Regional Analysis; National Transit Database; WMATA cost estimates and analysis

3B.c Lack of a "Rainy Day" fund forces costly emergency actions

Event type	Example impact	
Snow storm	Jonas blizzard in January 2016 led to full closure for two days, costing about $14.0 million, including lost fares and parking fees, overtime, supplies, and snow removal services	
Special events	Pope Francis's visit in September 2015 was not budgeted for, and led to overtime expense in excess of budget and 20% lower ridership during the visit	
Federal govern-ment shut-down	Federal government shut down that lasted 16 days in October 2013 cost Metro an estimated $5.5 million with 1.7 million fewer trips and a 13% reduction in ridership overall	

Benefits of a Rainy Day fund:

- Financial benefit of decreased reliance on line of credit and saving on interest payments
- Key enabler for broader transformation commitments; for example, enables contingent expense management against 3% cap on operating subsidy growth
- Insulates capital program funds from operational emergencies/events that require one-time funding

Other major U.S. transit systems have reserve funds for emergency situations, including the MTA (New York), BART (San Francisco), and Regional Transportation Authority (Illinois)

3B Capping operating subsidy growth at 3% requires....

- **Flexibility to reduce costs** with innovative approaches and to competitively contract where effective
- **Amend National Capital Area Interest Arbitration Standards Act** to require arbitrators to give due consideration to specific enumerated factors, including WMATA's financial condition
- **Create a Rainy Day Fund** of 10% of total operating budget over 10 years, funded by the jurisdictions to help Metro manage against unexpected events

3 Broader success in safety, reliability, and financial responsibility depends on regional support for Metro's action items

Potential actions to achieve commitments

Safety		▪ Create a culture of safety and accountability ▪ Prioritize safety and reliability projects in capital program
Service reliability		▪ Replace the oldest railcars so that about 85% of the fleet is made up of new cars ▪ Implement Development and Evaluation (D&E) program and revamp capital project delivery methods ▪ Use data, analysis, and technology to expand reliability-centered maintenance for railcars and track
Financial responsibility	Revenue	▪ Monetize assets, including parking ▪ Increase advertising while maintaining the character of the system ▪ Offer world-class concessions for customers, increase revenue by attracting riders
	Cost	▪ Continue to right-size service, operations, and resources, focused on performance outcomes ▪ Embrace innovative delivery methods, including competitive contracting, private investment, creative technology partnerships, and modern procurement strategies ▪ Address legacy pension and OPEB costs ▪ Competitive contracting of targeted functions, where permitted (e.g. new services, operations and facilities, such as Silver Line Phase II) ▪ Optimize office space including headquarters building

Washington Metropolitan Transit Authority
Regular and Overtime Wages by Department and Office
1/1/2017 through 4/30/2017

Cost By Org/Dept

Org	Dept	Sum of Regular Wages	Sum of Overtime Wages
BRD	OIG	$ 1,137,358.41	$ -
	SECT	$ 143,696.89	$ -
CFO	ACCT	$ 2,058,310.17	$ 10,772.46
	ADM	$ 138,767.97	$ -
	LAND	$ 1,019,232.87	$ 15,735.13
	OMBS	$ 1,205,925.70	$ -
	TRES	$ 3,072,696.55	$ 62,645.14
COO	ACCS	$ 1,537,413.54	$ -
	ADM	$ 173,104.84	$ 80.77
	BUS	$ 89,425,110.48	$ 11,156,647.79
	CPO	$ 229,626.96	$ -
	MTPD	$ 16,127,877.78	$ 2,574,625.36
	OBPP	$ 113,190.35	$ 48.46
	RAIL	$ 70,412,931.81	$ 13,481,988.07
	RTRA	$ 37,499,919.70	$ 6,113,272.00
	SSRV	$ 36,689,048.07	$ 3,803,991.79
COUN	ADM	$ 383,330.41	$ -
	CIVL	$ 648,204.31	$ 492.31
	GLAW	$ 582,386.41	$ -
	LGSP	$ 300,363.29	$ -
CPPM	ADM	$ 18,076.92	$ -
	AMA	$ 349,616.19	$ -
	DECO	$ 7,946,121.97	$ 778,908.49
	ENGA	$ 5,807,358.32	$ 39,823.31
	PLAN	$ 505,735.90	$ -
EXRL	ADM	$ 133,766.98	$ -
	CSCM	$ 2,803,769.75	$ 51,384.28
	GOVR	$ 246,385.94	$ -
FAIR	ADM	$ 55,192.32	$ -
	DBE	$ 239,911.45	$ -
	OEEO	$ 384,592.19	$ -
GM	ADM	$ 215,226.42	$ 532.06
IBOP	ADM	$ 106,344.35	$ -
	HR	$ 3,512,699.18	$ 50,632.51
	IT	$ 11,143,119.75	$ 444,885.20
	LABR	$ 560,050.24	$ -
	PRMT	$ 2,320,765.25	$ 8,147.04
INCP	ADM	$ 67,500.00	$ -
	MARC	$ 175,684.66	$ -
	QICO	$ 1,650,175.62	$ 3,370.55
	SPRJ	$ 63,292.74	$ -
SAFE	ADM	$ 592,039.93	$ 11,478.66
	BRFS	$ 750,142.89	$ 24,315.69
	BSSA	$ 252,738.76	$ 10,685.65
	EMIH	$ 108,729.69	$ 726.55
	ENVS	$ 361,402.94	$ 2,744.48
	STCR	$ 273,704.87	$ 11,233.50

Washington Metropolitan Transit Authority
Regular and Overtime Wages by Department and Office
1/1/2017 through 4/30/2017

	Sum of Regular Wages	Sum of Overtime Wages
Total	$ 303,542,641.73	$ 38,659,167.25

Count ID	Org	Org Description	Department	Department Description
34	BRD	Board	OIG	Inspector General, Office of
4	BRD	Board	SECT	Board Secretary, Office of
61	CFO	Chief Financial Officer	ACCT	Accounting, Office of
3	CFO	Chief Financial Officer	ADM	Chief Financial Officer Administration
26	CFO	Chief Financial Officer	LAND	Real Estate and Station Planning, Office of
31	CFO	Chief Financial Officer	OMBS	Management and Budget Services, Office of
116	CFO	Chief Financial Officer	TRES	Treasurer, Office of
47	COO	Chief Operating Officer, Office of	ACCS	Access Services, Department of
3	COO	Chief Operating Officer, Office of	ADM	Office of Chief Operating Officer Administration
4187	COO	Chief Operating Officer, Office of	BUS	Bus Services, Department of
6	COO	Chief Operating Officer, Office of	CPO	Performance, Office of
609	COO	Chief Operating Officer, Office of	MTPD	Metro Transit Police Department
3	COO	Chief Operating Officer, Office of	OBPP	Budget, Performance and Planning, Office of
2761	COO	Chief Operating Officer, Office of	RAIL	Rail Services, Department of
1542	COO	Chief Operating Officer, Office of	RTRA	Rail Transportation, Office of
1473	COO	Chief Operating Officer, Office of	SSRV	Support Services, Office of
7	COUN	General Counsel	ADM	COUN General Counsel Adm
13	COUN	General Counsel	CIVL	COUN Civil Litigation
12	COUN	General Counsel	GLAW	COUN General Law
12	COUN	General Counsel	LGSP	COUN Legal Support

1	CPPM	Capital Planning & Program Management (CPPM), Office of	ADM	Office of Capital Planning & Program Management (CPPM) Administration
10	CPPM	Capital Planning & Program Management (CPPM), Office of	AMA	Asset Mission Assurance, Office of
211	CPPM	Capital Planning & Program Management (CPPM), Office of	DECO	Design and Construction, Office of
140	CPPM	Capital Planning & Program Management (CPPM), Office of	ENGA	Engineering and Architecture, Office of
13	CPPM	Capital Planning & Program Management (CPPM), Office of	PLAN	Planning, Office of
3	EXRL	Chief External Relations, Office of	ADM	Office of Chief External Relations Office Administration
105	EXRL	Chief External Relations, Office of	CSCM	Customer Service, Communications and Marketing, Department of
7	EXRL	Chief External Relations, Office of	GOVR	Government Relations, Office of
1	FAIR	Fair Practices, Office of	ADM	Office of Fair Practices Administration
7	FAIR	Fair Practices, Office of	DBE	DBE Disadvantage Business Enterprise Adm
11	FAIR	Fair Practices, Office of	OEEO	Equal Employment Opportunity, Office of
3	GM	General Manager, Office of	ADM	General Manager Administration
2	IBOP	Internal Business Operations	ADM	Internal Business Operations Administration
124	IBOP	Internal Business Operations	HR	Human Resources, Department of
293	IBOP	Internal Business Operations	IT	Information Technology, Department of
14	IBOP	Internal Business Operations	LABR	Labor Relations
62	IBOP	Internal Business Operations	PRMT	Procurement and Materials, Office of

1	INCP	Internal Compliance, Office of	ADM	Office of Compliance Administration
5	INCP	Internal Compliance, Office of	MARC	INCP Mgmt Audits Risk Cmpl Adm
47	INCP	Internal Compliance, Office of	QICO	Quality and Internal Compliance Operations, Office of
1	INCP	Internal Compliance, Office of	SPRJ	Special Projects Adm
14	SAFE	System Safety and Environmental Management, Department of	ADM	System Safety and Environmental Management Administration
20	SAFE	System Safety and Environmental Management, Department of	BRFS	Bus, Rail Facility
7	SAFE	System Safety and Environmental Management, Department of	BSSA	Bus Safety Assurance
3	SAFE	System Safety and Environmental Management, Department of	EMIH	Environmental Management and Industrial Hygiene
10	SAFE	System Safety and Environmental Management, Department of	ENVS	Environment Services
8	SAFE	System Safety and Environmental Management, Department of	STCR	SAFE Training Certification Regulation

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