

**Testimony of Jack Evans
Chairman, Board of Directors
Washington Metropolitan Area Transit Authority**

**U.S. House of Representatives Committee on Oversight and Government Reform
Subcommittee on Transportation and Public Assets and Subcommittee on
Government Operations
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Good morning, Chairman Mica, Chairman Meadows, Ranking Member Duckworth, Ranking Member Connolly, and member of the subcommittees. My name is Jack Evans, and I currently serve as Chairman of the Board of Directors of the Washington Metropolitan Area Transit Authority (WMATA). I serve as the Principal Director from Washington, DC on the WMATA Board in conjunction with my role as a member of the Council of the District of Columbia, representing the Central Business District, 11 surrounding neighborhoods, and 12 Metrorail stops. Since 1999, I have chaired the Council's Committee on Finance and Revenue.

I appreciate the opportunity to testify before the subcommittees today and provide updates from my previous testimony on April 13, 2016. Since that time, WMATA has taken significant steps to improve the safety, reliability, and fiscal management of the system.

At the top of the organization, the majority of the Board of Directors has turned over in the past 2 years, including three new federal representatives this past Spring. General Manager Paul Wiedefeld has now been at the helm of the agency for a full year. In that time, he's been able to put together a new senior leadership team and implement major initiatives to fix the rail system, restructure and right-size the agency, better maintain the railcar fleet, and rebuild trust and accountability throughout the system.

General Manager Wiedefeld will provide more detailed information about the progress of these initiatives, but to summarize the actions briefly: WMATA has made various personnel and operational changes to build a strong foundation to improve the agency. So far this year, WMATA has hired a new Chief Operating Officer and new Chief Safety Officer, both of whom have decades of experience with the New York Metropolitan Transit Authority, a new General Counsel, and a new Chief of Internal Business Operations to improve procurement and other administrative functions. Wiedefeld restructured his management team in March to break down some of the longstanding divisions and work silos that existed at the agency. He fired 20 senior managers in the Spring and has already eliminated 500 position throughout the agency to reduce costs.

The agency has been undergoing an aggressive SafeTrack project, a comprehensive maintenance effort that will accelerate three years' worth of work into approximately one year. The plan significantly expands maintenance time on weekends, weeknights and midday hours and includes 15 "Safety Surges"--long-duration track outages for major projects in key parts of the system. The plan addresses Federal Transit Administration (FTA) and National Transportation Safety Board (NTSB) safety recommendations and deferred maintenance backlogs to restore track infrastructure to good health. However, it is important to keep in mind that SafeTrack will not solve all of the agency's problems. It will make the rail system safer and marginally more reliable, but it is not the end of our infrastructure needs. It is, as best, the end of the beginning.

WMATA's financial condition can be summed up in 3 numbers: 290, 18, and 2.8. First, 290 is a projected \$290 million operating shortfall in the Fiscal Year 2018 budget, which runs from July 1, 2017 to June 30, 2018. This budget gap includes \$103 million from ridership/revenue loss, \$87 million from expense growth related to SafeTrack, Wiedefeld's Customer Accountability initiative, and other operational costs, and \$100 million that the agency transferred last year from our capital budget to cover operating costs.

Next, 18 is the more than \$18 billion in capital needs the agency faces over the next 10 years. WMATA is undertaking a detailed Capital Needs Inventory study and reported back to the Board this week that the cost of simply deferred maintenance and state of good repair (SGR) needs is approximately \$17.4 billion over the next decade. This is essentially the bare bones capital investment needed to get the system to a baseline level of operation. Additionally, WMATA should execute approximately \$800 million of preventative maintenance measures over the next 10 years in order to improve resiliency in the system and prevent greater costs in the future. These capital needs do not include an estimated \$7 billion in new needs related to compliance with various NTSB and FTA directives; Fire Life Safety requirements; local and state environmental regulations; system safety improvements; or Security improvements and crime reduction.

This number includes the general work required to repair and maintain the infrastructure of the system. It also includes purchasing new railcars (which account for more than 50% of the reliability issues on the system) and buses, upgrading the insufficient electrical system, encasing the Red Line from Cleveland Park to Medical Center to mitigate water infiltration, and fixing the thousands of other moving pieces and open problems throughout the system.

Finally, 2.8 is WMATA's \$2.8 billion unfunded pension and other post-employment benefit (OPEB) liability. While WMATA has taken steps over the past 20 years to marginally slow the growth of these funds, the liabilities continue to grow as we are unable to properly fund them. The WMATA Board has created a special Pension

Committee to review the five current pension plans that the agency funds and is working with a private accounting firm to consider options for reducing our unfunded liability. While the operating and capital budgets will continue to get headlines, if we fail to address these pensions obligations, WMATA will find itself in the same place the District did in 1995. The jurisdictions need to support actions to fund these liabilities as WMATA works to limit their future growth.

The financial situation at WMATA is dire. To fill the short-term operating budget gap, the jurisdictions need to increase their subsidy contributions collectively by nearly \$250 million next year. The alternatives - raising fares by 35%, closing low-ridership stations during off-peak hours, and continuing to use capital grants for operating expenses - put WMATA at serious risk of losing more riders (and thereby revenue).

On the capital side, without an increase from our current \$1-1.1 billion annual capital funding resources to approximately \$1.8 billion per year, we'll continue to have the system we have today, only further stressed by the hundreds of thousands of new residents the region expects to add in the coming decades. It's important to note here that in addition to more capital funding, WMATA needs to improve its capacity to utilize the funds it does receive. In this past fiscal year, as a result of Wiedefeld's management actions over the 8 months he was on the job and the 2 months of SafeTrack during the fiscal year, WMATA was able to spend \$1.013 billion on its capital program last year. The highest such total ever.

I appreciate the opportunity to discuss with you the continued financial problems at WMATA and steps we have taken to put the agency on better footing moving forward. It's easy to think of Metro as an autonomous entity separate from the rest of the region, but it's important to remember that in actuality, this is a \$40 billion asset owned by Virginia, Maryland, DC, and the federal government. We can choose to do nothing, and we'll continue to have the system we have today. Or we can come together as a region to fix and improve the largest driver of economic activity in all of our jurisdictions. In the end, additional contributions, combined with Wiedefeld's restructuring of the agency, may save more future tax revenues for the region and federal government than it costs us to fix.