Fairfax County Taxpayers Alliance

Watchdog of the Taxpayer's Dollar Since 1956

THE BULLETIN

Vol. 58, No.1 October 2016 to June 2017

Next FCTA Board Meeting

Tuesday, July 11, 2017
7:30 p.m. to 9:30 p.m.
Although only Board members may vote, all FCTA members are invited.
Location: Purves home
Off Beulah Road, Vienna, VA
Send an email to purves@fcta.org if you want to attend

President's Message:

Metrorail: Poster Child for Democrat Misrule

An April 2017, Technical Panel Final Report on Metro by the Washington Council of Governments (MWCOG) advocates a new "dedicated" revenue source for the Washington Metropolitan Area Transportation Authority (WMATA), which manages the now unreliable and unsafe Metrorail system. The report proposes a new 1% sales tax in the eight city and county jurisdictions served by Metrorail, including Fairfax County.

The report's executive summary states that capital-funding needs over the next ten years total $15.6 billion -- up from a Council Of Governments (COG) estimate of $11.7 billion estimate last October. The larger figure is justified to make Metro a "safe, reliable system." Revenue of $9.5 billion is identified, leaving a $6.1 billion shortfall, or an annual shortfall of $610 million per year over ten years. The proposed sales tax would cover the shortfall by collecting about $650 million annually.

So how did the system become so unsafe? (Remember that 2009 Red Line train collision; the 2015 Yellow Line train filled with smoke; the Metro employee's falsifying of test records?) An April COG report attributes it to "years of deferred maintenance, insufficient capital investment, and expanding service." A 2004 Washington Post article quoted the Metro general manager as warning that, without funding increases, Metro would "enter a 'death spiral' of declining service and lost ridership."

But instead of repairing the core Metrorail system, at a cost of $15B, the Fairfax County Supervisors decided to support expanding the system by building the Silver Line, which has disappointing ridership numbers. Many Silver Line riders are former Orange Line riders. The Silver Line cost $6 billion for construction and $5 billion for interest on bonds, most of which is being paid for by ever-increasing tolls on the Dulles Toll Road. Politicians would rather build than maintain.

Add to that Metro's well-known mismanagement problem. An Orange Line train derailed in 2016 because of defective rail ties, after employees had falsified track inspection records. Current metro GM Paul Wiedefeld noted "a disturbing level of indifference, lack of accountability, and flagrant misconduct in a portion of Metro's track department." Twenty one employees were eventually fired for misconduct, but their union said it would probably fight the disciplinary actions.

Metro is inept in other ways. A 2014 Federal Transit Administration (FTA) audit found that Metro for years has ignored the paperwork to qualify for Federal grants. So FTA has restricted grant funding until WMATA does the proper paperwork.

And Metro lacks transparency. Fairfax County Taxpayers Alliance has repeatedly asked the WMATA Office of Government Relations for information about pension benefits, salary scales, annual raises, and health benefits -- no response. Even requests on our behalf by Delegate Jim LeMunyon, a member of the House of Delegates Transportation Committee, provided no answers.

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But COG's report advocating a new sales tax mentions nothing about correcting mismanagement and nothing about the magnitude of employee compensation. The taxpayers are supposed to write a blank check without regard to transparency or accountability. Nor does the report mention that Virginia in 2013 (HB2313) increased taxes by $5.9 billion, supposedly to solve Virginia's transportation funding problems, including increasing sales taxes in Fairfax County from 5% to 6%. (The bill provided $300M to be spent annually on transportation improvements in Northern Virginia, but stipulated that the $300M *cannot* be spent on maintenance.)

Meanwhile, we get as yet unspecified tolls on I-66, both inside and outside the beltway. While widening of Route 7 has been years in the planning, construction of toll gantries on I-66 inside the Beltway started a year or so after the proposal was announced.

Instead of funding proper maintenance of Metro, the Democrat-controlled local governments in the Washington area have for decades milked Metrorail by taking the additional revenues to pay for 5% annual raises, Cadillac health plans, and pensions with retirement at 55 to accommodate local government unions. And neighboring jurisdictions collude in a "salary war" that drives up real estate taxes, reduces jobs, increases class size, and neglects infrastructure. It is government of the unions, by the unions, and for the unions.

Thank you,

Arthur Purves

An Apology

The FCTA bulletins for December and March were omitted due to the editor's health issues.

Fairfax County Taxpayer Alliance
P.O. Box 356, Fairfax, VA 22038
www.fcta.org
2016-2017 President: Arthur Purves
The Bulletin is the newsletter of the Fairfax County Taxpayer Alliance. It is published quarterly, with occasional special editions. The purpose is to provide information to member communities; federal, state, and local officials; and other interested persons. Articles reflect the view of their author and may be reprinted with the use of the following citation: "*The Bulletin* of the Fairfax County Taxpayer Alliance".

Politicians Duck and Run from Metro Funding

Politicians are ducking and running from responsibility for the Metro debacle and the financing to fix it. For many years the Washington Metropolitan Area Transit Authority (WMATA) board of politicians, who are responsible for Metro, have avoided seriously discussing the problems and publicizing them.

Five years ago, the chief financial officer of WMATA told the board $20B (billion) was needed through 2020 for capital improvements, but she could not see from where $13B would come. Action? The board fired her. Inconvenient truths were best ignored and covered up.

It took accidents such as over 80 people becoming overwhelmed with smoke, and a law suit to wake people up. Even deaths were needed to publicize the problem. Delays were and are a common problem. Aggravated assault in 2016 was up one-third from 2015. Other crimes were up, including homicides and rapes.

WMATA brought in a brave new general manager who was willing to tackle the safety and operating problems and the overstaffing. He started the Safe Track program, infuriating many passengers. Many found alternative means of transportation.

Nevertheless, the lack of money has stimulated many studies to delay decision making and commitments. WMATA did several studies of funding. The Council of Governments and a former U.S. Secretary of Transportation also are studying funding. None of them can commit to funding – only the U.S., states, and local governments can – but they haven't. Metro reported in April 2017 only 30% of revenues come from fares, and 70% from Federal, state, and local subsidies.

WMATA's estimates of its capital needs have varied greatly. It announced in April 2017 "Metro has $15.5B (billion) in critical capital needs over the next 10 years, and operating costs are rising at nearly twice the rate of non-subsidy revenues." Of this, "only $1.25B is currently funded." However, WMATA then switches the figure to $25B for "maintaining today's assets." The implication is if only $15.5B is raised, the assets won't be properly maintained and we'll be back in the soup again. The "historical capital funding level, extrapolated over 10 years is $8B" These funds come from the taxpayer, including Fairfax County taxpayers. To meet the $15.5B in funding, instead of $8B, addition funds of $7.5B would be needed from the taxpayers. If, instead of $15.5B, $25B more is needed, an additional $17B would be required on top of the current level of funding of $8B, so the county and state capital portion of taxes for Metro would triple ($8B divided into $25B).

Currently Virginia jurisdictions contribute $196 million (30%) of the $650 million jurisdiction-based annual capital contribution. By 2027 that will rise to $492 million (32%) of $1.5B.

To meet this, additional funds would have to come from counties like Fairfax: "Regions should commit to multi-year, stable revenue source that will provide $500 million/year for a new Capital Trust Fund." That's in addition to growing the existing capital contributions.

In addition to capital costs, there are operating subsidies of $13B over 10 years. Over the 10 years, fares are projected to cover $9.2B (41%) of $22.2B in operating costs and none of the capital costs, so taxpayers who mostly don't ride the Metro will pay for the other 59% operating expenses. WMATA also wants an operating 'Rainy Day' fund in case, for example, fares yield less than expected.

The operating subsidy from local jurisdictions is currently $0.98B, and would rise to $1.616B by 2027. Wages and fringe benefits are three quarters of the operating costs. Virginia's operating subsidy is $251 million (26% of the $0.98B total now) and would rise to $453 million (28% of $1.616B) by 2027. Daily operating deficits on buses can be as high as $14 per rider.

The quoted deficit does not include Metro's unfunded pension liability of $2.8B.

The April 2017 Council of Governments (COG) stated: local governments cannot afford the steep bill for Metro's needed capital and maintenance program, while simultaneously financing their jurisdictional needs for schools and other critical infrastructure. The report "concluded that a dedicated sales tax is the best, most equitable revenue option." A tax rate of an additional 1% is described as "equitable." However, the taxpayers in the jurisdictions still will have to foot the bill. It just gets the local politicians somewhat off the hook. The taxpayers themselves would be to blame, because the sales tax could be instituted only if the taxpayers vote for it in a referendum. The outlook for a positive vote is not good, considering the Fairfax County residents rejected a meals tax proposal for a second time.

Fairfax County citizens currently pay $155 million (14.7%) of the combined capital and operating budgets . The Fairfax annual contribution would rise by $250 million to a total of $405 million by 2026, according to COG. That is $363 million per man, woman and child, or $1,450 per year per family of four -- to subsidize people who take the Metro.

In addition, the Fairfax County Board of Supervisors agreed to pay the debt service on a portion of WMATA's debt — at WMATA's higher interest rate. In effect Fairfax is issuing bonds through WMATA, thereby continuing the BOS' sneaky way of financing WMATA. Because there is no contractual obligation, the BOS claims not to have to disclose this debt and include it in the county's total borrowing.

WMATA threatens economic collapse of the region if it does not get the additional funding. Rather, WMATA needs to economize. Pensions and benefits must be adjusted to be similar to those in the private sector. Government workers should not receive a subsidy for taking the Metro, as they do now. To truly be "equitable," the Metro users should pay full costs for the Metro, not the taxpayers. Residents of the Washington D.C. area pay full costs for housing, food, and clothing. Roads are used by everyone for consumables to be sold in stores, and are paid by gasoline taxes. Why should Metro riders be exempt from paying for their transportation – at the very least the Metro operating costs, even if that means doubling the fares?

Politicians want to raise taxes surreptitiously, using sales and many other taxes and fees, such that they are not held accountable. They are ducking the funding issue and running from transparency, seeking only to be re-elected.

The data for this report comes from three WMATA and government sources:

1. The WMATA Budget (https://www.wmata.com/upload/FY2017-Approved-Budget-2.pdf)
2. The WMATA action-plan presentation (https://www.scribd.com/document/345664567/Regional-Funding-GM-s-Presentation#from_embed)
3. Metropolitan Council of Government: TECHNICAL PANEL FINAL REPORT ON METRO, April 2017 (https://www.scribd.com/document/346497482/Metro-Funding-Report)

Selecting Transportation Projects Irrationally

Virginia does not use a proper cost-benefit evaluation in selecting transportation projects.

The Code of Virginia, Section 33.2-257, assigns the Virginia Department of Transportation (VDOT) the responsibility for evaluating potential transportation projects in the Northern Virginia Transportation District. The Code requires that the evaluation provide an objective, quantitative rating for each project according to the degree to which the project is expected to reduce congestion and, to the extent feasible, the degree to which the project is expected to improve regional mobility in the event of a homeland security emergency. The Code allows criteria to be added, including the performance-based criteria such as the ability to improve travel times, reduce delays, connect regional activity centers, improve safety, improve air quality, and move the most people in the most cost-effective manner.

To meet the requirement of the Code, VDOT developed Smart Score (originally called HB2), a system of 13 criteria and, using weighting factors, the relative importance of each criterion (Exhibit 1). Within each criterion, the quantitative value of the benefits of any one project is divided by the highest quantitative value among all projects to obtain the relative value for that criterion. The project with the highest quantitative value in the criterion gets a score of 100. Each other project gets a score of 100 multiplied by the ratio of its benefit to the benefit of the most beneficial. The sum of the 13 scores, as multiplied by the associated weighting factor, yields the project's total score, which will fall in the range from 0 to 100. The Smart Score is the ratio of the total score to the construction cost. Projects are selected in order from the highest to the lowest Smart Scores. The selection ends when the sum of the costs exceeds the budget.

Exhibit 1: Smart Scale Weighting Factors

Increase in daily person throughput	22.5%
Decrease in person hours delay	22.5%
Reduction in fatal and severe injury	2.5%
Reduction in fatal and severe injury rate	2.5%
Increases in access to jobs	9.0%
Increases in access to jobs for disadvantaged populations	3.0%
Improved access to multimodal choices (user benefit value)	3.0%
Air quality (total benefit value)	5.0%
Acres of natural/cultural resources potentially impacted	5.0%
Economic development support (sq.ft.)	3.0%
Intermodal access improvements (Tons of benefit value)	1.0%
Travel time reliability improvement	1.0%
Transportation-efficient land use	20.0%
Total:	100.0%

Although this method meets the Code requirements, it is not rational. Suppose, for example, a certain project with the highest safety improvement would save 10 lives per year. It would get a score of 100. It would get no higher safety score if it saved 10,000 lives per year. That is an irrational result of the scoring system. Even if it saved ten million lives per year, its safety score would be only 2.5% of its total score.

To avoid such distortions, each benefit should be expressed in dollars. The total benefit will then be the sum of the benefits. If the benefit exceeds the cost, the project is cost-beneficial. No somewhat arbitrary weighting factors are needed. Converting the benefit to a dollar benefit can be based on data. For example, based on data, the Federal Highway Administration converts travel-time saved using approximately $22 per hour per person. Under a 2006 contract from VDOT, Dr. James Lambert of the University of Virginia provided the conversion process, based on data, for four of the 13 criteria. Similar methods need to be developed for the other nine.

Putting the benefits on a dollar basis would remove one distortion with the present Smart Score method, but it does not remove all distortions. The other pertains to the cost. At present the cost is the construction cost only. The life-cycle cost should be used. The present system favors projects with a low construction cost but a large operating and maintenance cost over projects with a high construction cost and a low operating and maintenance cost.

With benefits expressed in dollars, projects with costs exceeding benefits should not be funded. The others can be prioritized based on the benefit-to-cost ratio.

There may be cases in which the state government wants new development for reasons not included in the Smart Score criteria. Such development should be funded by programs that are associated with the reasons, not by VDOT funds.

Exhibit 2: Priority of Transportation Projects in Northern Virginia

VDOT has rated all transportation projects per Smart Scale. The results for Fairfax County are shown on the following table. The benefit is divided by the cost in tens of millions of dollars to arrive at the benefit-to-cost ratio. Shaded projects have been selected.

App Id	Title	Statewide High Priority	District Grant	Project Benefit	Project Total Cost	Benefit Divided by Total Cost	Project SMART SCALE Cost	Benefit Divided by SMART SCALE Cost
1249	VA 286 - Popes Head Road Interchange	x	x	**37.20**	$ 64,303,070	**5.78**	$ 50,558,370	**7.36**
1119	Route 29 Widening (Union Mill Road to Buckley's Gate Drive)	x	x	**32.48**	$ 66,973,500	**4.85**	$ 53,766,900	**6.04**
1116	Seven Corners Ring Road (Phase 1A Segment 1A)	x	x	**8.47**	$ 71,934,200	**1.18**	$ 52,100,000	**1.63**
1115	Richmond Highway Widening (Mt Vernon Hwy to Napper Rd)	x	x	**13.39**	$ 214,772,900	**0.62**	$ 90,000,000	**1.49**
1007	Richmond Highway-Bus Rapid Transit	x	x	**14.86**	$ 324,635,300	**0.46**	$ 101,561,367	**1.46**
1117	Frontier Drive Extension	x	x	**5.75**	$ 92,589,500	**0.62**	$ 82,589,500	**0.70**
1118	Soapstone Connector/Dulles Toll Road Overpass	x	x	**5.51**	$ 169,854,050	**0.32**	$ 90,648,350	**0.61**
	Total				$ 1,005,062,520			
	Total, as percent of total cost of all projects				9.2%			

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What FCTA Has Been Doing on Our Members' Behalf

Much has transpired at FCTA since the September 2016 bulletin. For a complete list of the 25 reports generated since then, go to http://www.fcta.org/Pubs/archivelist.html. The list of files will be of interest to many readers. To see only what FCTA has done, type into the search box the word *blue*. FCTA actions have the date and category in blue, so the search will result in the 25 FCTA actions only. You will see the texts of presentations, letters to our politicians, reports on meetings, opinion articles, and research reports. Click on the title of the article and you can read the full report.

(Re)Join the FCTA and invite a friend to join too!

The Fairfax County Taxpayers Alliance analyzes Fairfax County, Virginia, and Federal budgets. We publish the FCTA Bulletin, which explains budgets, exposes excesses, and offers solutions. We also maintain a website (**www.fcta.org**) with much commentary. **Use this form or join online at www.fcta.org. We need your help to reach more taxpayers. For additional memberships, simply enclose a check with the new member's name, address, and email.**

Current members: Please renew if the date on your mailing label is before July 1, 2015. Thank you!

2017-06-28

____ **Enclosed is my annual FCTA membership dues of $25 (mail to the return address, above).**
____ **I'm enclosing an extra contribution of $ ________**
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