



# Proposed Budget

Fiscal Year 2010

July 1, 2009 – June 30, 2010

*Presented to the Board of Directors:*

**Finance, Administration, and  
Oversight Committee**

January 8, 2009





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## General Manager's Overview And Summary Presentation:

### Part 1. **Operating Budget, \$1.3 Billion**

FY2010 Revenue Expense Subsidy

### Part 2. **Capital Budget Update, \$0.4 Billion**

FY2005 – 2010 Capital Budget

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- Detailed budget review presentations will be delivered during subsequent FAO Committee meetings February-May 2009
  - Final Board approval is anticipated by June 2009



## FY2010 Operating Budget

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### Key Budget Drivers:

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- Metro recognizes the economic pressures facing our customers and the local jurisdictions
- No fare increase
- No increase in total local government subsidies
- Significant staffing and cost reductions are being proposed
- Metrobus and Metrorail service reductions are being proposed
- Significant increases to MetroAccess cost



## FY2010 Operating Budget

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### WMATA is not alone - - - Budget challenge is national in scope

**MARTA Atlanta** "We are talking about a draconian - unbelievably draconian - reduction in service," said MARTA General Manager Beverly Scott. Atlanta Journal Constitution 12/16/2008

**Metro St. Louis** "Metro plans to lay off 600 workers, or 25% of its work force..." St. Louis Business Journal 12/19/2008

**CTA Chicago** "Fare hikes on the CTA and Pace will hit Thursday..." Sun Times 12/29/2008

**BART San Francisco** "BART officials say the cuts to their organization are larger than expected, leaving them scrambling for options." The Daily Californian 10/2/2008

**MBTA Boston** "... the Board has included fare hikes and service cuts to plug the budget gap." Boston Globe 12/28/2008

**MTA New York** "The mother of all fare hikes..."  
New York Daily News 12/23/2008



## FY2010 Operating Budget

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### WMATA is not alone - - - Jurisdictional Budget Challenges

**MTA Baltimore** "...is cutting back train and bus service even as more riders flock to the public transit system." The Examiner 12/30/2008

**Fairfax** "...County's budget shortfall has swollen to as much as \$649 million...battered by a deepening recession..." DC Examiner 12/16/2008

**Alexandria** "Things could get worse before they get better..."  
WTOP 9/29/2008

**DASH Public Hearing** "...which may require DASH to reduce service..."

**Richmond** "Gov. Tim Kaine proposed Wednesday to cut thousands of state jobs...VDOT is expected to cut its staff by as much as 1,150..." Examiner 12/18/2008

**District of Columbia** "Gandhi saying the cuts will indeed have to be substantial: That will mean a real impact on services, a real impact on people." Washington City Paper 9/24/2008

**Maryland** "Transportation projects totaling \$1.1 billion over the next five years will be deferred because of the state's budget problems" Maryland Transportation Secretary Porcari said. MyFoxDC 9/10/2008



# Budgetary Challenge

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## \$176 Million Budget Gap, 13% of Total Budget

- Ridership growth is generating significant revenue growth, but not enough to offset other revenue decline, **\$17 million**
- Baseline expenses are increasing **\$159 million** due largely to contractual labor costs (\$44M), energy (\$13M), pension investment losses (\$44M) and MetroAccess (\$17M)
- Management actions being proposed to close \$176 million budget gap:  
\$103 million administrative/operational staffing budget reductions  
\$73 million reductions in bus, rail and paratransit service



# Revenue Highlights

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## Key FY2010 Revenue Assumptions:

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- No fare increase
- Ridership growth continues at current levels
- Full year impact of:
  - Balanced transfer
  - Elimination of paper transfers
- Economic downturn impact on non-passenger revenue
- One-time source no longer available



# Revenue Highlights

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## Ridership Trends:

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- Through the end of November 2008:
  - o Metrorail +3% actual ridership growth, 1% above budget
  - o Metrobus +3% actual ridership growth, 2% above budget
  - o MetroAccess +20% actual ridership growth, +5% above budget
- FY2010 Budget assumes these growth rates continue





# Metrorail Passenger Revenue

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- Ridership Growth is Generating Revenue Growth
- Implementation of Fare Policy Changes is Increasing Revenue

<b>Metrorail Passenger Revenue</b>		<b>Annual</b>
<b>\$ Millions</b>		<b>Total</b>
<b>FY2009 Budgeted Revenue.....</b>		<b>\$504.0</b>
<b><u>Ridership Growth:</u></b>		
FY09 year end forecast ridership is higher than budgeted	\$0.5	
FY10 peak period ridership growth is forecast +3%	<u>\$16.8</u>	
	\$17.3	\$17.3
<b><u>Fare Policy Adjustments</u></b>		
<b>a. Implement Balanced Transfers:</b>		
1. Stop Shifting Rail Revenue to Bus	\$13.6	
2. Cease Offering 90¢ Rail-to-Bus Discounts	\$0.0	
3. Start Offering 50¢ Rail-to-Bus Discounts	(\$9.0)	
	<u>\$4.6</u>	\$4.6
<b>FY2010 Budgeted Revenue.....</b>		<b><u><u>\$525.9</u></u></b>



# Metrobus Passenger Revenue

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- Ridership Growth is Generating Revenue Growth
- Implementation of Fare Policy Changes is Reducing Revenue

Metrobus Passenger Revenue \$ Millions		Annual Total
<b>FY2009 Budgeted Revenue</b> .....		<b>\$111.0</b>
<b><u>Ridership Growth:</u></b>		
FY09 year end forecast ridership is higher than budgeted	\$2.0	
FY10 ridership growth is forecast +3%	<u>\$2.6</u>	
	\$4.6	\$4.6
<b><u>Fare Policy Adjustments</u></b>		
<b>a. Implement Balanced Transfers:</b>		
1. Stop Shifting Rail Revenue to Bus	(\$13.6)	
2. Cease Offering 90¢ Rail-to-Bus Discounts	\$10.0	
3. Start Offering 50¢ Rail-to-Bus Discounts	(\$5.5)	
<b>b. Eliminate Paper Transfers</b>		
	<u>\$5.0</u>	
	(\$4.2)	<u>(\$4.2)</u>
<b>FY2010 Budgeted Revenue</b> .....		<b>\$111.4</b>



# MetroAccess Passenger Revenue

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- Ridership Growth is Generating Revenue Growth
- Revenue is not meeting FY09 budgeted levels due to reduced fares

<b>MetroAccess Passenger Revenue</b>		<b>Annual</b>
<b>\$ Millions</b>		<b>Total</b>
<b>FY2009 Budgeted Revenue</b> .....		<b>\$3.9</b>
<b><u>Ridership Growth:</u></b>		
FY09 year end revenue is less than budget	<b>(\$0.1)</b>	
FY10 ridership growth is forecast +15%	<b>\$0.6</b>	
	<b>\$0.5</b>	<b>\$0.5</b>
<b>FY2010 Budgeted Revenue</b> .....		<b>\$4.4</b>



# Other Revenues

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- Parking fare revenue is currently under budget and not predicted in increase in FY2010
  - o Parking lot utilization is down
  - o Parking meter revenue is down
  
- Non-Passenger revenue accounts are being adversely affected by economy:
  - o Declining fiber optic revenue
  - o Declining interest income
  - o Declining property rental income



# Revenue Summary

	FY2009 Approved Budget	FY2010 Proposed Budget	Change	
<b>Passenger:</b>				
Metrorail	\$504.0	\$525.9	\$21.9	4.3%
Metrobus	\$111.0	\$111.4	\$0.4	0.4%
MetroAccess	\$3.9	\$4.5	\$0.6	15.0%
Parking	\$51.5	\$50.1	(\$1.4)	-2.7%
Subtotal	\$670.4	\$691.9	\$21.5	3.2%
<b>Non-Passenger:</b>				
Advertising	\$39.0	\$42.0	\$3.0	7.7%
Fiber Optics	\$13.4	\$10.9	(\$2.5)	-18.7%
Rent	\$16.2	\$14.7	(\$1.5)	-9.3%
School Fares	\$5.0	\$5.0	\$0.0	0.0%
Interest	\$4.7	\$3.2	(\$1.5)	-31.9%
Other	\$4.0	\$4.0	\$0.0	0.0%
SE Garage Offset	\$4.8	\$5.1	\$0.3	6.3%
Subtotal	\$87.1	\$84.9	(\$2.2)	-2.5%
Fare Increase Reserve	\$36.2	\$0.0	(\$36.2)	
<b>TOTAL REVENUE</b>	<b>\$793.7</b>	<b>\$776.8</b>	<b>(\$16.9)</b>	<b>-2.1%</b>

\$ Millions, may not add due to rounding



# Expense Overview

## Review of the projected expense forecast:

	FY2009 Approved Budget	FY2010 Baseline Forecast	Change	
<b>PERSONNEL</b>				
<b>Payroll Expense</b>	\$684	\$728	\$44	6%
Health Insurance	\$131	\$141	\$10	8%
<b>Pension</b>	\$48	\$93	\$44	91%
Other Fringes	\$61	\$62	\$1	1%
	<u>\$925</u>	<u>\$1,024</u>	<u>\$99</u>	<u>11%</u>
<b>NON-PERSONNEL</b>				
<b>Paratransit Costs</b>	\$62	\$79	\$17	27%
Other Purchased Services	\$81	\$90	\$9	10%
Materials & Supplies	\$80	\$76	(\$4)	-5%
<b>Energy Costs</b>	\$109	\$122	\$13	12%
Utilities	\$43	\$48	\$5	11%
Insurance	\$29	\$27	(\$1)	-4%
Other		\$22	\$22	
	<u>\$404</u>	<u>\$464</u>	<u>\$60</u>	<u>15%</u>
<b>TOTAL EXPENSE</b>	<u>\$1,329</u>	<u>\$1,488</u>	<u>\$159</u>	<u>12%</u>

- Payroll Expense, 83% is Contractual Commitments
- Continued increase in health insurance premiums
- Stock market losses impacting pension funding
- Paratransit costs climbing with increased ridership
- Extreme volatility in energy costs
  - Deregulation / Market Prices
  - Double digit increases

\$ Millions, may not add due to rounding



# Expense Overview

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## September to December Budget Development Process:

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- Management implemented controls to reduce spending for the remainder of FY2009
- Currently forecasting to be \$9 million under budget by June 30
- End of 1st quarter implemented a cost containment plan consisting of:
  - Hiring freeze of all non-critical positions
  - Elimination of 80 vacant positions over 180 days old
  - More stringent management control of overtime use
  - 10% reduction in discretionary accounts such as Travel, Materials and Supplies, and Consulting Services across all departments



# Expense Overview

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## September to December Budget Development Process:

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- Service reductions were held as “last resort” to achieve no increase in jurisdictional funding from FY2009 to FY2010

- FY2010 budget reduction development

Three criteria applied:

1. No reductions in safety and security related areas
2. 10% cut across all departments
3. Minimal impact on service





# Expense Overview

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## Impact of Proposed Budget Reductions:

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- **Staffing reduction eliminates 891 positions, 8% of the workforce**
- **\$176 million net expense reductions:**
  - **\$103 million reduction in administrative/operational expenses**
  - **\$73 million net reduction from cuts in bus and train service**
    - Comprised of \$87 million expense reduction**
    - and \$14 million less revenue**



# Policy Issues

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Policy issues arose during development of FY2010 budget proposal.  
Assumptions were made for budgeting purposes.  
Each policy issue has a budget impact.

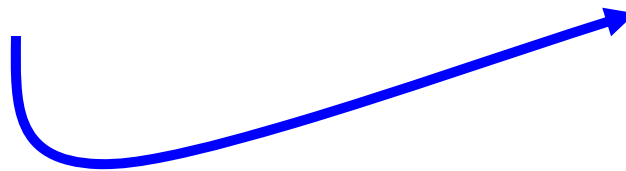
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- Discuss bringing MetroAccess into compliance with ADA law
- Seek jurisdictional recommendations on \$87 million in service reductions
- Budget does not assume use of \$13 million reserve generated in FY08
- Fund the liability for retiree health insurance
- FY09 forecasted cost efficiencies have not yet been reserved for use in FY10



# Proposed Budget --- Financial Recap

	<i><b>FY2009 Approved Budget</b></i>	Baseline Changes	Admin/ Operations Cuts	Service Cuts	<i><b>FY2010 Proposed Budget</b></i>
Revenue	<b>\$794</b>	(\$17)	\$0	(\$14)	<b>\$762</b>
Expense	<b>\$1,329</b>	\$159	(\$103)	(\$87)	<b>\$1,298</b>
<b>Subsidy</b>	<b>\$535</b>	\$176	(\$103)	(\$73)	<b>\$535</b>



**No Increase in Local Government Funding**



# Proposed Budget --- Financial Recap

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Subsidy Increase of \$73 Million, 14%  
Prior to Service Cuts

Subsidy	FY2009 Subsidy	FY2010 Subsidy Without Service Cuts	Change
Metrorail	\$123	\$175	\$52
Metrobus	\$348	\$352	\$4
MetroAccess	\$64	\$81	\$17
	<u>\$535</u>	<u>\$608</u>	<u>\$73</u>

\$ Millions, may not add due to rounding



# Capital Budget

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- FY2006 through FY2010 budgeted in accordance with the Metro Matters Funding Agreement
- FY2010 capital budget is \$478 million, and is the last year of Metro Matters funding commitments from the local jurisdictions
- All jurisdictional contributions are occurring on budget and on schedule
- Metro Matters financing plan anticipated need for issuing long term debt – being scheduled for Spring 2009 Board action



# Capital Budget

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## Metro Matters Six-Year Capital Budget (FY2006-FY2010)

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\$2.7 billion six-year total expenditure on projects –  
infrastructure renewal, eight car trains, bus enhancements

\$0.5 estimated cost of financing

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\$3.2 billion total program cost

Security projects budgeted with availability of federal funding



# Capital Budget

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Capital budgeting in FY2011 and beyond:

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- Capital needs inventory has been compiled
- Financing strategy under development
- Project prioritizations anticipated in Spring 2009
- Regional commitment on funding to be sought Summer/Fall 2009
- Metro Board approval will be incorporated into the FY2011 budget process



# Calendar for Reviewing Budget

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## January:

- Operating expense reductions / administrative savings
- Ridership and revenue updates
- Request JCC Recommendations on Service Cuts

## February:

- FAO Committee consideration specific service reductions
- Board Action Item to begin public hearing process

## March:

- Conduct Public Hearings
- Capital budget update
- FY2011 and beyond capital prioritization

## April:

- Review results of public hearing process
- Approve service changes for implementation by July
- Capital Budget Review

May: Final review of FY2010 budget issues and recommendations

June: Board approval of FY2010 budget