



**Finance & Administration Committee**

**Action Item IV-C**

**February 11, 2016**

**FY2017 Budget Work Session**

Washington Metropolitan Area Transit Authority  
**Board Action/Information Summary**

Action  Information

MEAD Number:  
201714

Resolution:  
 Yes  No

**TITLE:**

FY2017 Budget Work Session

**PRESENTATION SUMMARY:**

Staff will follow up on Board member questions from the previous work session in January; provide updates on operating revenue and expense forecasts for FY2017 as well as the subsequent five years; and provide an update on the Capital Funding Agreement (CFA).

**PURPOSE:**

Staff will follow up on Board member questions from the previous work session in January; provide updates on operating revenue and expense forecasts for FY2017 as well as the subsequent five years; and provide an update on the Capital Funding Agreement (CFA).

**DESCRIPTION:**

**Key Highlights:**

- Metrobus routes with higher levels of SmarTrip re-loading occur more frequently on the east side of the Washington region, often in areas with higher minority and/or low-income populations and without as much access to retail locations. Staff will return to Board in March for an extended discussion of the potential benefits of the elimination of SmarTrip loading and possible mitigation actions that could be taken to reduce the equity impacts.
- The recent increase in the federal transit benefit is good news for Metro, with an expected revenue increase in FY2017 (as compared to the original December budget proposal) of \$5 to \$10 million annually.
- Draft language for a one-year Capital Funding Agreement (CFA) renewal has been distributed to the funding jurisdictions, with approval by all jurisdictions and the WMATA Board targeted for March.

**Background and History:**

In December, the GM/CEO proposed an FY2017 budget for the Board's review and consideration. The proposal includes the \$1.8 billion FY2017 operating budget and the \$6.0 billion FY2017-2022 Capital Improvement Program (CIP), which anticipates \$1.13 billion in capital expenditures in FY2017 primarily for safety and state of good repair projects already underway.

The operating budget proposes no fare increases and no service cuts, and it holds total

jurisdictional subsidy flat by funding more preventive maintenance (PM) activities in the capital budget. The operating budget assumes a \$20 million expense reduction from the Board's ongoing efficiency workplan, along with an additional \$2 million administrative reduction.

The CIP funds critical safety investments for customers and employees as well as necessary state of good repair investments to ensure the reliable and effective performance of the Metro transit system.

## **Discussion:**

### Metrorail Fares vs. Commuter Rail Fares

For trips between the same endpoints and over comparable distances, Metrorail peak fares are generally similar to commuter rail fares. For example, a trip between Rockville, MD, and Union Station, DC, costs \$5.90 on Metrorail and \$6.00 on MARC commuter rail. The cost of a weekly pass for that same trip is also nearly identical -- \$59.25 for Metrorail and \$60.00 for MARC. To travel between Franconia-Springfield and Union Station (another origin-destination pair that offers competing rail modes) costs \$5.75 on Metrorail and \$7.40 on Virginia Railway Express (VRE) for a single trip. However, the weekly pass costs are very similar, \$59.25 and \$58.80 respectively. Only on the monthly passes does Metrorail become noticeably more expensive, and it is anticipated that the successful implementation of the 'name your own price' pass (which will begin a pilot test later in the spring) will make Metro's monthly passes more competitive.

A similar relationship holds when looking at other east coast commuter railroads -- comparable one-time trips of 12 to 13 miles (the same as Franconia-Springfield to Union Station) cost \$7.25 and \$10.00 on NJ TRANSIT and Long Island Railroad, respectively, and the corresponding weekly passes are \$65.00 and \$69.75.

### SmarTrip Loading on Metrobus

An analysis of recent bus farebox transaction data shows that Metrobus routes with higher levels of SmarTrip re-loading occur more frequently on the east side of the Washington region, often in areas with higher minority and/or low-income populations and without as much access to retail locations. Staff will return to the Board in March for a discussion of the potential benefits of the elimination of SmarTrip loading and possible mitigation actions that could be taken to reduce the equity impacts.

### Cost Savings in FY2017

The December budget proposal assumed \$22 million in expense savings, primarily from the Board efficiency study findings. The consultant's final report will be issued next month, but a preliminary area of focus on MetroAccess service delivery has already surfaced and is being reviewed internally, along with other efficiencies.

### Revenue Update

Based on a detailed longitudinal analysis of individual SmarTrip card usage performed by Metro's Office of Planning, it was estimated that the reduction in the federal transit benefit to approximately half the value of the federal parking benefit cost Metro approximately 2 percent of its ridership, which translates to \$10 to \$15 million annually. Many riders who "ran out" of transit benefit before the end of the month supplemented with their own funds, but some riders simply rode less.

Now, as a result of recent action by Congress and the President, the transit benefit has returned permanently to full parity with the parking benefit, and this is a positive change for Metro. However, Metro ridership is still trending well below FY2015 and is expected to remain depressed until reliability concerns are addressed long-term. Staff expects a revenue increase of \$5 to \$10 million (compared to the December budget proposal) as a result of the increased transit benefit.

CFA Renewal Status

Draft language to move forward with a one-year renewal of the existing Capital Funding Agreement (CFA) has been distributed to the funding jurisdictions for their review and comment. The draft renewal reflects the FY2017 proposed investment levels. All CFA approvals, by both the jurisdictions and the WMATA Board, are needed in March ahead of the planned FY2017 budget and CIP adoption in April.

**FUNDING IMPACT:**

Information item only - no impact on current funding.	
Project Manager:	Thomas Webster
Project Department/Office:	CFO/OMBS

**TIMELINE:**

<b>Previous Actions</b>	<ul style="list-style-type: none"> <li>December 2015 - GM/CEO proposal of FY2017 budget</li> <li>January 2016 - Board approval of budget public hearing and first Board budget work session</li> </ul>
<b>Anticipated actions after presentation</b>	<ul style="list-style-type: none"> <li>March 2016 - Authorization for GM/CEO to execute revised Capital Funding Agreement (CFA); approval of debt issuance; update to Board on outreach and public hearing</li> <li>April 2016 - Adoption of FY2017 operating budget and six-year CIP</li> <li>May 2016 - Submit federal grant applications</li> <li>July 1, 2016 - Begin FY2017</li> </ul>

**RECOMMENDATION:**

No Board action required -- information item only.



Washington Metropolitan Area Transit Authority

# FY2017 Budget Work Session

Finance & Administration Committee  
February 11, 2016



# Agenda

- Outstanding Board questions
- Expense and revenue updates
- Five-year operating forecast
- CFA renewal status
- Questions and discussion



# Focusing on the Customer

- Safety
- Service reliability
- Financial responsibility
- No fare increases
- No service reductions
- No subsidy increase





# Metro vs. Commuter Rail (in Washington Region)

Origin	Destination	Est. Distance (miles)	Operator	Single Trip	Weekly	Monthly
New Carrollton	Union Station	8.4		\$4.30	\$59.25	\$237.00
				\$5.00	\$50.00	\$135.00
Rockville	Union Station	15.0		\$5.90	\$59.25	\$237.00
				\$6.00	\$60.00	\$162.00
Franconia- Springfield	Union Station	12.5		\$5.75	\$59.25	\$237.00
				\$7.40	\$58.80	\$203.50

Note: Metro and MARC weekly passes are 7-day, VRE weekly pass is 5-day (no weekend service). Metro "monthly" pass is 28 days.



# Metro vs. Commuter Rail (Nationally)

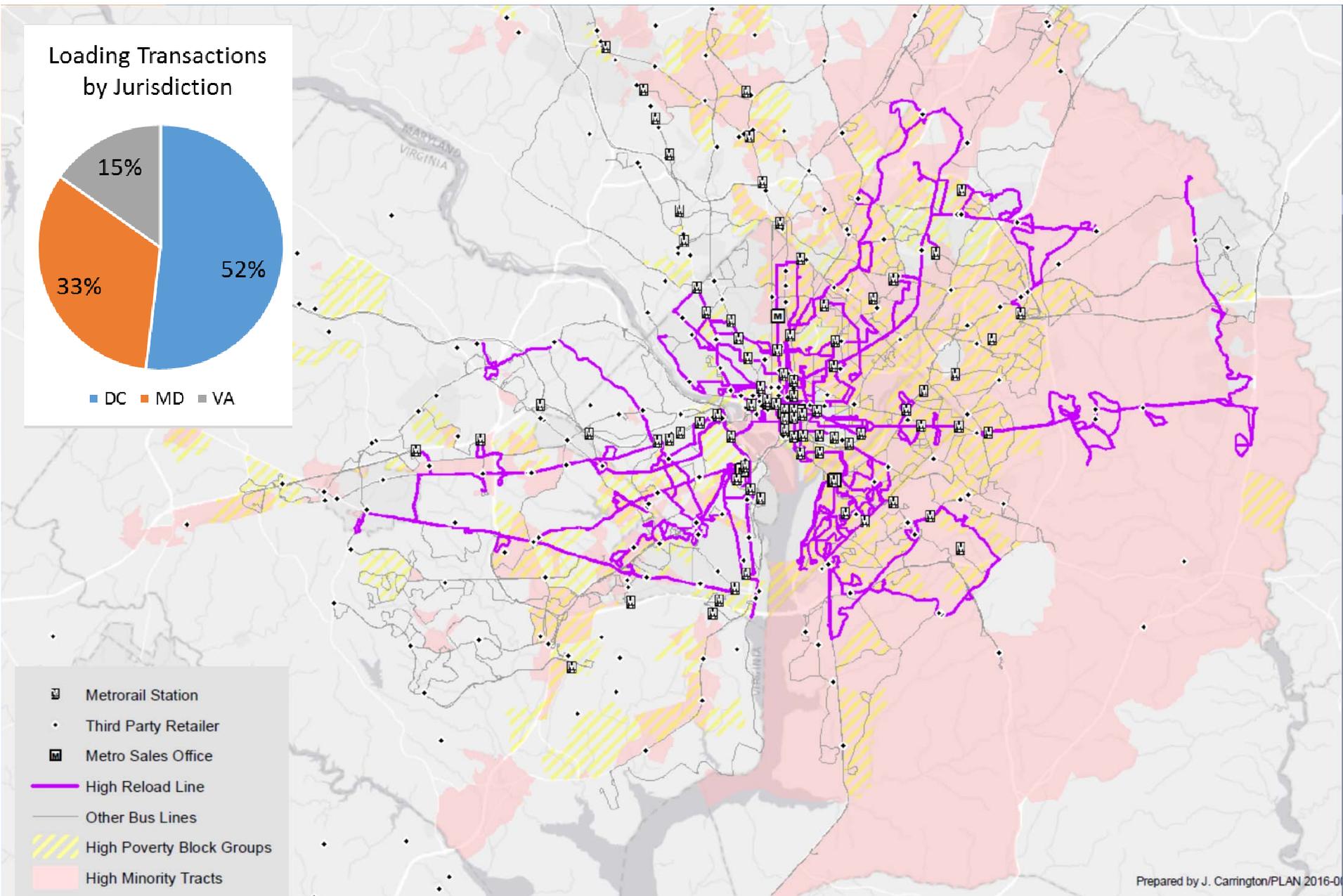
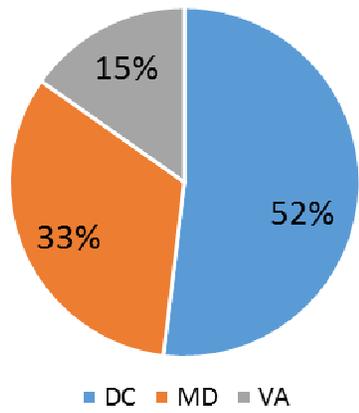
Origin	Destination	Est. Distance (miles)	Operator	Single Trip	Weekly	Monthly
Franconia-Springfield	Union Station	12.5		\$5.75	\$59.25	\$237.00
Franconia-Springfield	Union Station	12.5		\$7.40	\$58.80	\$203.50
Watchung Avenue	NY Penn Station	12.5		\$7.25	\$65.00	\$210.00
Douglaston	NY Penn Station	12.7		\$10.00	\$69.75	\$218.00



## Metrobus Routes with High SmarTrip® Loading

- Some busy routes have high absolute number of reloads; some lower-volume routes have high percentage of reloads
- Map on following page shows routes with higher than average number and percentage of reloads along with current locations for off-board reloading (retail and stations)

### Loading Transactions by Jurisdiction



- Metrorail Station
- Third Party Retailer
- Metro Sales Office
- High Reload Line
- Other Bus Lines
- High Poverty Block Groups
- High Minority Tracts

Prepared by J. Carrington/PLAN 2016-01



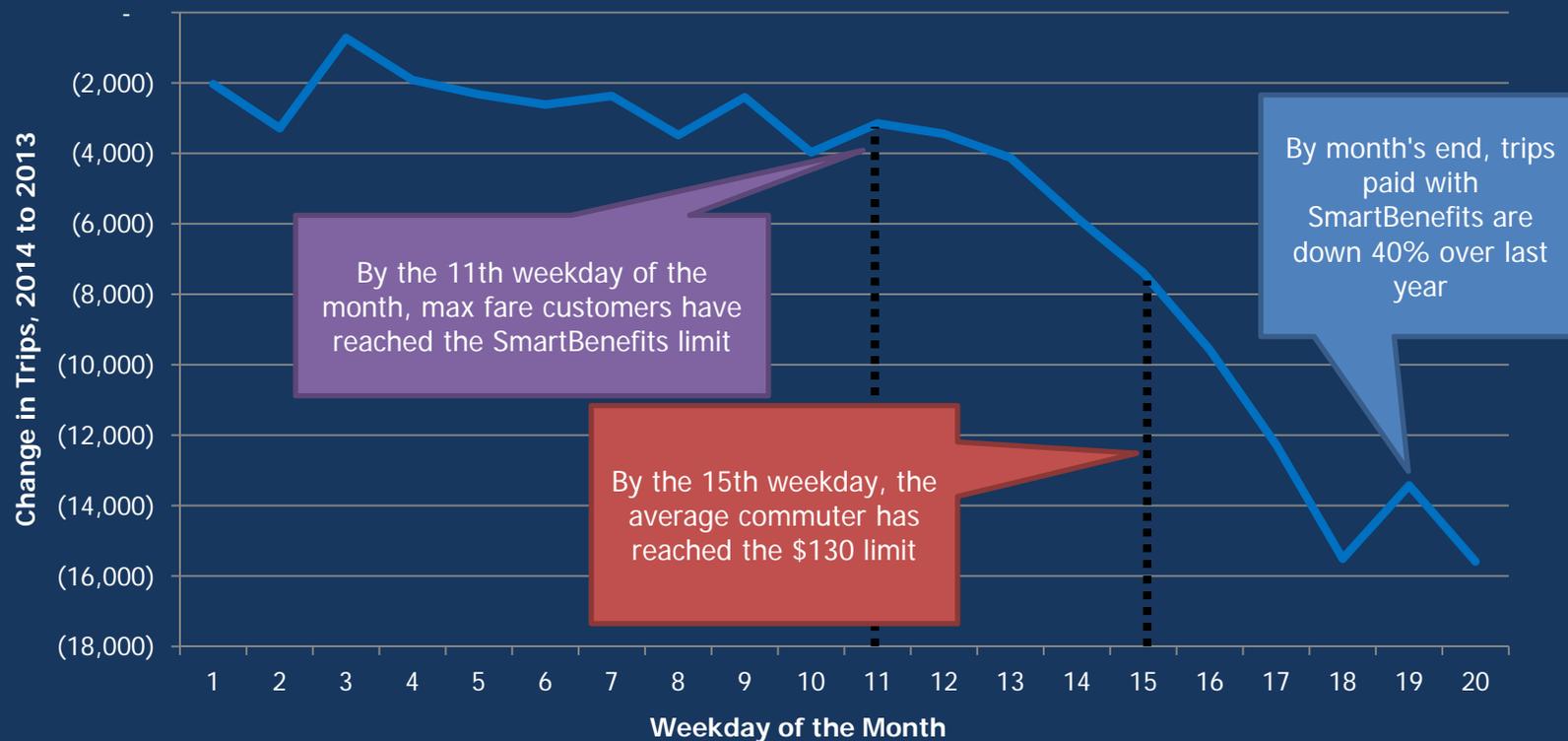
## Projected Sources of Cost Savings in FY2017 Budget

- December proposal assumed \$22 million in expense savings, primarily from the Board efficiency study findings
- Consultant final report to be issued next month
- Preliminary areas of focus: MetroAccess and other efficiencies



# Original Impact of Transit Benefit Reduction

## Change in Trips Paid For With SmartBenefits AM Peak Trips Over 7 Miles, by Weekday of the Month



September 2014 vs 2013, AM Peak full-fare trips over 7 miles.



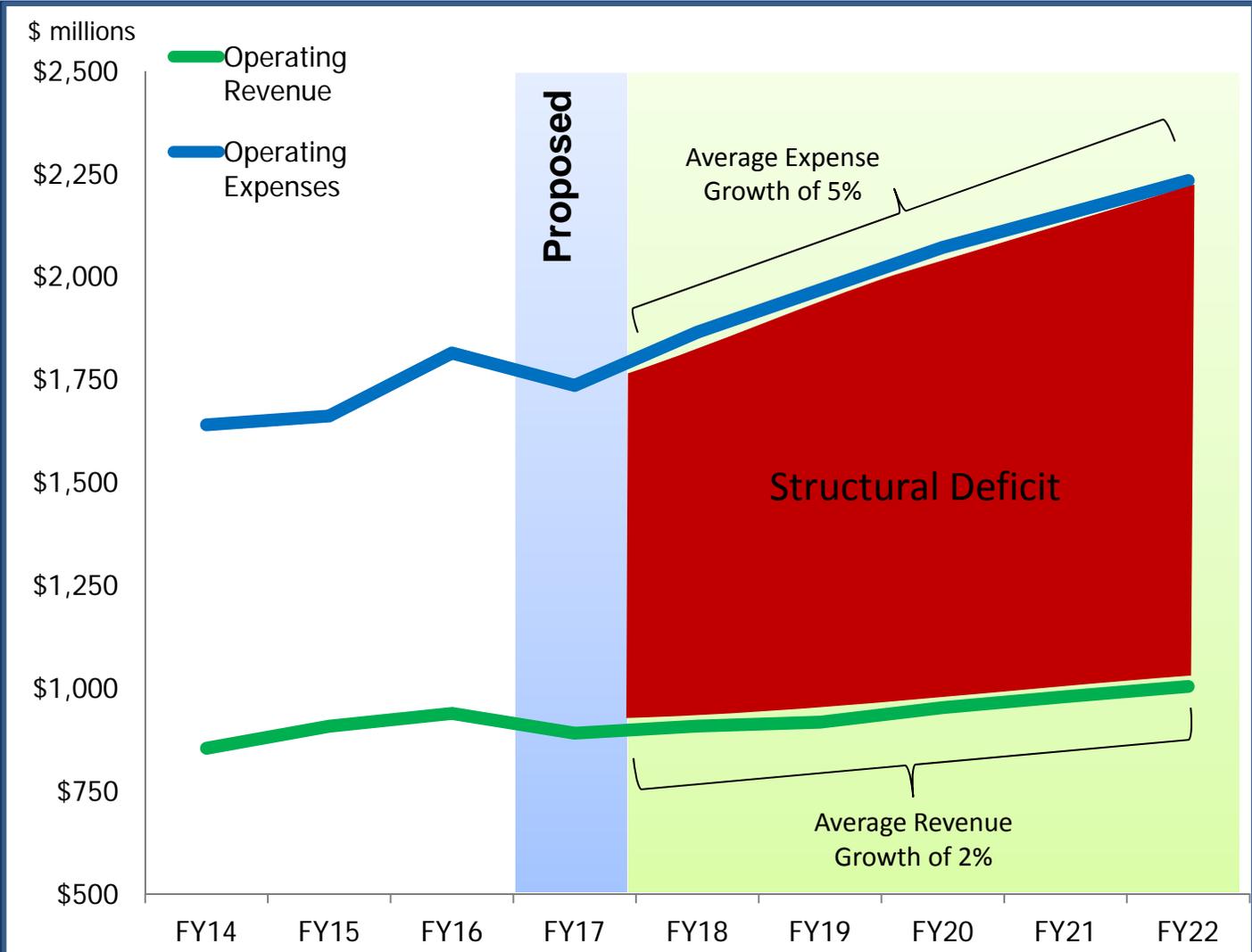
# Revenue Forecast Update

- Ridership still trending well below FY2015, expected to remain depressed until reliability concerns are addressed long-term
- Recent increase in federal transit benefit will help, especially for longer-distance commuters
- New DC transportation benefit requirement will also help
- Expect revenue increase of \$5 to \$10 million versus December proposal



# Long-Term Trend Remains Unchanged

- Preventive Maintenance realignment FY2018
- Silver Line Phase 2 in FY2020
- Biennial fare adjustments
- Expense growth based on historic trends





## Proposal to Include “Local Projects” in the CIP

- Board closed the Transit Infrastructure Investment Fund (TIIF) in January 2015
- TIIF had provided funds for jurisdictionally directed projects
- Staff engaged jurisdictions on strategies for funding local capital projects and provided recommendations to the Board
- Proposed FY2017 capital budget is focused on safety and state of good repair – station circulation and other jurisdictionally nominated projects are not included



## CFA Renewal Status

- Draft one-year renewal language distributed to jurisdictions
- Reflects FY2017 proposed investment levels
- Jurisdictional approvals needed by March ahead of April budget adoption



## Next Steps

- **March**
  - Authorize GM/CEO to execute CFA extension
  - Approval of CFA by jurisdictions
  - Board approval of debt issuance
  - Update on outreach and public hearing
- **April**
  - FY2017 operating budget and CIP adoption
- **May**
  - Submit federal grant applications