



Finance, Administration and Oversight Committee

FY2010 Budget Review Item III-A

February 12, 2009

Review Expense and Revenue

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

<input type="radio"/> Action <input checked="" type="radio"/> Information	MEAD Number:	Resolution: <input type="radio"/> Yes <input checked="" type="radio"/> No
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TITLE:

Continued Review of FY2010 Revenue & Expense

PURPOSE:

To present the Board`s Finance, Administrative and Oversight Committee additional information on the proposed FY2010 revenue and specific operating expenses.

DESCRIPTION:

A Powerpoint presentation

FUNDING IMPACT:

No impact on funding

RECOMMENDATION:

NA



Continued Review of FY2010 Expense and Revenue

Presented to the Board of Directors:

**Finance, Administrative and Oversight
Committee**

February 12, 2009





Budget Adjustment

	FY2009 Approved Budget	Baseline Changes	Admin Cuts	Service Cuts	FY2010 Proposed Budget
Revenue	\$794	(\$17)	\$0	(\$14)	\$767
Expense	\$1,329	\$159	(\$103)	(\$87)	\$1,302
Subsidy	<u>\$535</u>	<u>\$176</u>	<u>(\$103)</u>	(\$73)	<u>\$535</u>
Adjustment to correct		(\$22)	\$22		
Corrected "Gap" and Admin Cut		<u>\$154</u>	<u>(\$81)</u>		

- Baseline changes included over-estimation of personnel costs listed as "other" in Jan 8th budget presentation
- Error correction eliminates a double count in both the expense increases and decreases
- The actual list of Admin/Operational cuts totals \$81 million



Budget Crosswalk FY2009 to FY2010

	Revenue	Expense	Subsidy	FY2010 Subsidy Increase/ (Decrease)
FY2009 APPROVED BUDGET.....	\$794	\$1,329	\$535	
FY2010 Baseline Changes:				
a. Ridership/Revenue Increase	\$19			
b. One-time-only fares from FY09	(\$36)			
Baseline Revenue Changes	(\$17)			\$17
c. Uncontrollable Expense Increases		\$137		\$137
d. Admin/Operations Cuts		(\$81)		(\$81)
FY2010 PROPOSED BUDGET.....	\$777	\$1,385	\$608	\$73
<i>As of Jan 29, 2009</i>				
FAO Committee Budget Adjustments:				
1. _____	\$ _____	\$ _____	\$ _____	\$ _____
2. _____	\$ _____	\$ _____	\$ _____	\$ _____
3. _____	\$ _____	\$ _____	\$ _____	\$ _____
4. _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____	\$ _____



FY2010 Revenue Assumptions

Key FY2010 Revenue Assumptions:

- No fare increase
- Ridership growth continues at current rates
- Full year impact of:
 - **Balanced transfer**
 - **Discontinue budgeted fare integration**
 - **Elimination of paper transfers**
- One time budget reduction related to 2008 fare increase
- Economic downturn impact on non-passenger revenue



FY2010 Non-Passenger Revenue

Non-Passenger Revenue:

- **Parking dollars limited by number of spaces**
 - **Hourly parking revenue less than anticipated in FY09 and the trend is expected to continue into FY2010**
- **Advertising dollars tied to multi year contract/ends 2011**
- **Joint Development & Fiber Optics react to market forces**
- **Interest revenue tied to conditions in the financial markets**
- **All other revenue sources with minimal, zero or negative growth**
- **Only new revenue source in FY2010 is Car Sharing Revenue**



FY2010 Ridership

Annual Passenger Trips

	Metrorail	Metrobus	MetroAccess	System Total
FY09 Approved Budget	221,834	134,300	1,800	357,934
FY10 Proposed Budget	230,756	139,662	2,070	372,488
Total Increase	8,922	5,362	270	14,554
Percentage Increase	4%	4%	15%	4%

Trips in Thousands



FY2010 Passenger Revenue

Annual Passenger Revenue

	Metrorail	Metrobus	MetroAccess	System Total
FY09 Approved Budget	\$504,025	\$110,952	\$3,900	\$618,877
FY10 Proposed Budget	\$525,939	\$111,385	\$4,485	\$641,809
Total Increase	\$21,914	\$434	\$585	\$22,933
Percentage Increase	4%	<1%	15%	4%

Trips in Thousands



FY2010 Ridership and Passenger Revenue

	Metrorail			Metrobus			MetroAccess			Total	
	Revenue	Ridership	Avg. Fare	Revenue	Ridership	Avg. Fare	Revenue	Ridership	Avg. Fare	Revenue	Ridership
FY09 Approved Budget	\$504,025	221,834	\$2.27	\$110,952	134,300	\$0.83	\$3,900	1,800	\$2.17	\$618,877	357,934
FY09 Budget Variance/ Oct.2008	\$496	998		\$2,009	1,295		\$26	50			
FY09 Projection - 1st Quarter	\$504,521	222,832	\$2.26	\$112,960	135,595	\$0.83	\$3,926	1,850	\$2.12	\$621,407	360,277
FY2010 Projection											
FY10 Projection											
FY09 Base Ridership/Revenue	\$504,521	222,832	\$2.26	\$112,960	135,595	\$0.83	\$3,926	1,850	\$2.12	\$621,407	360,277
Undo Fare Integration	\$13,600	-	\$0.06	(\$13,600)	-	-\$0.10					
FY10 Ridership Growth*	\$16,831	7,924		\$2,593	4,067		\$559	220			
FY10 Base	\$534,952	230,756	\$2.32	\$101,953	139,662	\$0.73	\$4,485	2,070	\$2.17	\$641,391	372,488
FY10 Adjustments											
Undo Rail-To-Bus Discount	N/A	-		\$9,972	-	\$0.07	N/A	-			
Implement Balanced Transfer	(\$9,013)	-	-\$0.04	(\$5,540)	-	-\$0.04	N/A	-			
Eliminate Paper Transfer	N/A	-		\$5,000	-	\$0.04	N/A	-			
FY10 Revenue/Ridership Projection	\$525,939	230,756	\$2.28	\$111,385	139,662	\$0.80	\$4,485	2,070	\$2.17	\$641,809	372,488

- * FY10 projection for Metrorail includes ridership growth on Metrorail of 3.6%, 3% peak, 4.1% off-peak, 4% Saturday and 6% Sunday
- * FY10 ridership projection for Metrobus is 3% across all periods
- * FY10 ridership projection for MetroAccess is 15%
- * Includes deferred revenue of \$28.1 million which adds between \$0.12 - \$0.13 to the rail average fare
- * Undoing Fare Integration of \$13.6 million adds approximately \$0.16 to the rail average fare and reduces bus by \$0.10.



FY2010 Budget for Non-Passenger Revenue

	FY2009 Approved Budget	FY2010 Proposed Budget	Change	
Advertising	\$39,000	\$42,000	\$3,000	7.7%
Fiber Optics	\$13,400	\$10,900	(\$2,500)	-18.7%
Rent	\$16,200	\$14,700	(\$1,500)	-9.3%
School Fares	\$5,000	\$5,000	\$0	0.0%
Interest	\$4,700	\$3,150	(\$1,550)	-33.0%
Employee Parking	\$209	\$209	\$0	0.0%
Bicycle Locker Revenue	\$42	\$42	\$0	0.0%
Telephone Revenue	\$1,001	\$991	(\$10)	-1.0%
Vending Machine Revenue	\$168	\$180	\$12	7.1%
Subrogation Collection	\$600	\$600	\$0	0.0%
Car Sharing	\$0	\$56	\$56	
Other	\$2,016	\$2,016	\$0	0.0%
SE Garage Offset	\$4,800	\$5,100	\$300	6.3%
Total Non-Passenger	<u>\$87,135</u>	<u>\$84,943</u>	<u>(\$2,192)</u>	-2.5%



FY2010 Proposed Operating Expense

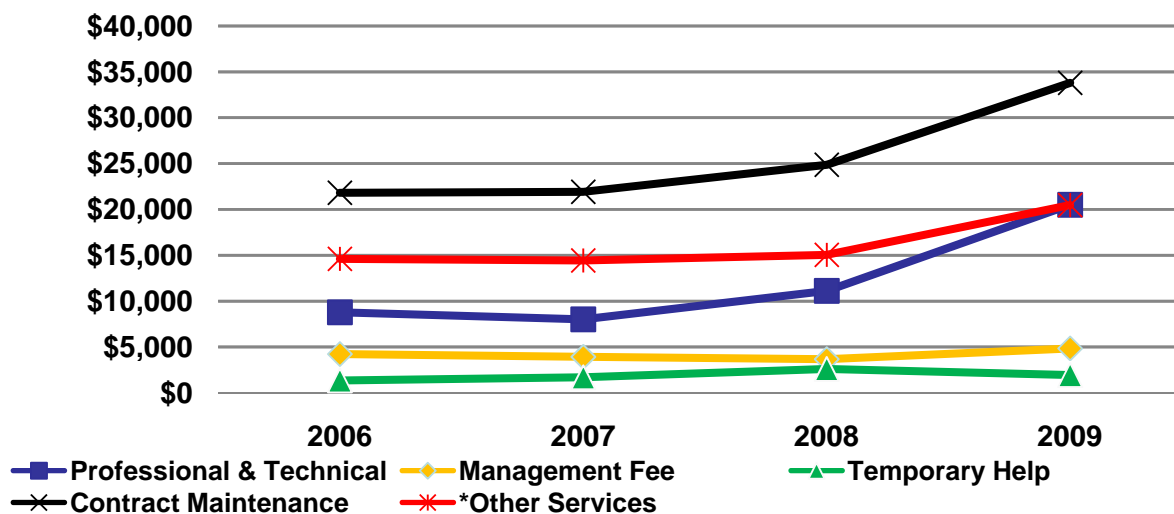
Follow-up Items from Previous Meeting:

1. Review expense trends in purchased services
2. Establish Fund for Retiree Health Liability
3. Review federal funding of operating budget
4. Review trends in credit/debit card expense and volume
5. Review trends in accident claims payments



1. Expense Trends in Purchase Services

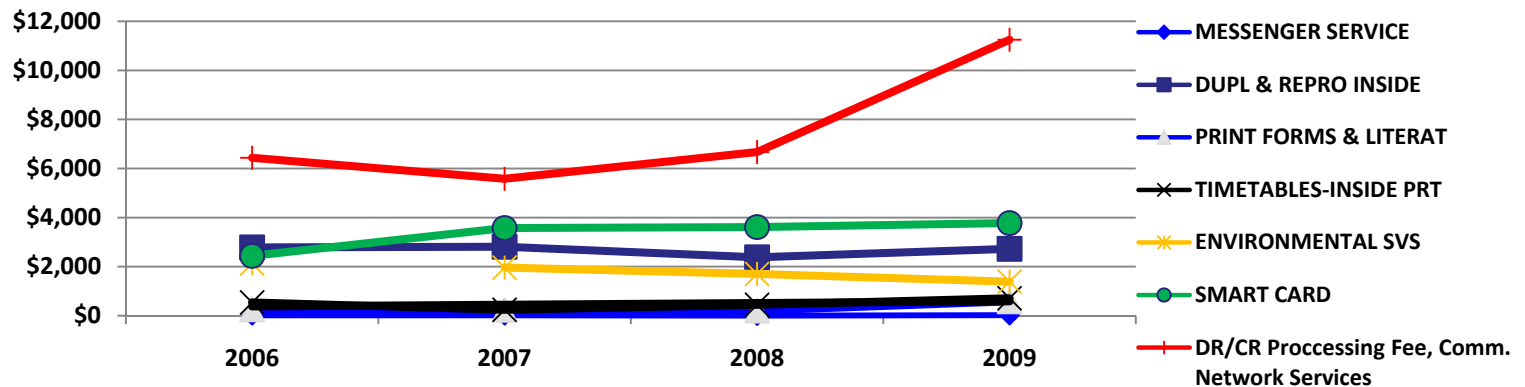
Description	\$ Thousands			Approved	YTD	Year End	Proposed
	Actual	Actual	Actual	Budget	Actual	Forecast	Budget
	2006	2007	2008	2009	2009	2009	2010
Parking	\$4,220	\$3,916	\$3,657	\$4,835	\$1,971	\$4,445	\$4,482
Professional & Technical	\$8,774	\$8,002	\$11,109	\$20,493	\$5,571	\$18,841	\$17,441
Temporary Help	\$1,336	\$1,685	\$2,596	\$1,929	\$1,152	\$1,774	\$1,736
Contract Maintenance	\$21,796	\$21,894	\$24,848	\$33,786	\$13,343	\$31,062	\$31,753
Other Services	\$14,590	\$14,437	\$15,042	\$20,456	\$9,652	\$18,807	\$24,958
Total	\$50,717	\$49,933	\$57,253	\$81,500	\$31,688	\$74,930	\$80,370
		-2%	15%	42%		-8%	-1%





1a. Drill Down "Other" Purchase Services

Description	\$ Thousands			Approved	YTD	Year End	Proposed
	Actual	Actual	Actual	Budget	Actual	Forecast	Budget
	2006	2007	2008	2009	2009	2009	2010
Messenger Services	\$15	\$15	\$3	\$24	\$0	\$0	\$0
Duplication/Reproduction	\$2,781	\$2,810	\$2,380	\$2,726	\$1,188	\$2,315	3,072
Print Form & Lit	\$258	\$239	\$208	\$587	\$104	\$203	269
Timetables – Inside Print	\$537	\$241	\$444	\$708	\$275	\$537	712
Environmental Services	\$2,131	\$1,960	\$1,703	\$1,391	\$1,215	\$2,368	3,143
Smartcard	\$2,436	\$3,568	\$3,611	\$3,772	\$2,389	\$7,339	6,839
DR/CR Processing Fee, Comm. Network Services	\$6,436	\$5,583	\$6,674	\$11,249	\$4,479	\$6,045	10,922
Total	\$14,595	\$14,416	\$15,023	\$20,456	\$9,652	\$18,807	\$24,958
		-1%	4%	36%		-8%	22%





2. Establish Fund for Retiree Health Liability

- GASB45 accounting rule changed in FY08 requiring recognition of the liability “promise” made to retirees to fund health insurance
- That new rule did not require funding the liability
- Organizations could continue pay-as-you-go funding, and for FY09 that was the Board’s policy decision
- A growing unfunded liability exists:
Currently \$59 million, forecast to increase to \$1.3 billion by FY2019
- With the failure of the financial markets and the economic downturn the existing unfunded liability is damaging Metro credit rating
- Additionally, by comparison, all local jurisdictions have chosen to fund their own retiree programs but not to fund Metro thereby adding to the credit rating challenge



2. Establish Fund for Retiree Health Liability

The FY2010 Proposed Budget included \$5 million to begin funding the liability and reduce the credit risks

\$5 million covered two costs:

1. Startup costs to create the fund, develop the investment programs of the trust, build the financial and functional systems needed to operating the fund, \$1 million
2. Deposit of an initial contribution to the fund, \$4 million

Staff is now recommending the \$4 million initial deposit be deferred until FY2011 allowing for a reduction in the FY2010 proposed budget



3. Federal Funding of Maintenance Expense

- Federal funds (FTA Formula Grant 5307) can be used to pay for routine operating maintenance expenses, often referred to as preventive maintenance
- A cap used to exist allowing up to 10% of total operating maintenance expenses to be paid for with federal funds, current rule is 100%
- Not to be confused...preventive maintenance funding is not: a maintenance program, a campaign, a capital project or capitalization of operating expense
- Preventive maintenance funding is an accounting transaction. Accounting and budget ledgers recognize FTA grant funds as a funding source to the operating budget (in additional to local subsidy)

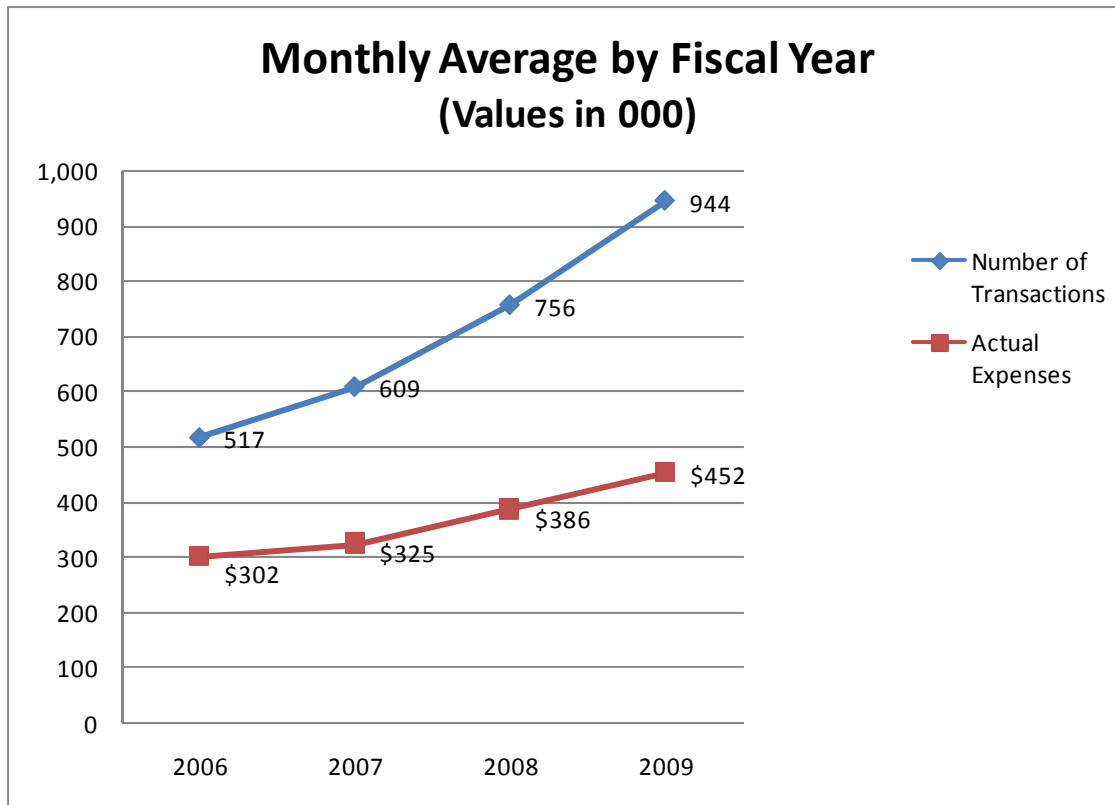


3. Federal Funding of Maintenance Expense

- Currently \$20.7 million of federal funds subsidize the operating budget:
 - \$18.0 million for Metrobus
 - \$2.7 million for Metrorail
- Federal subsidy to the operating budget can be increased if the amount of federal funding increases, as expected to occur in the stimulus bill



4. Review of Trends in Debit/Credit Card Expense and Volume

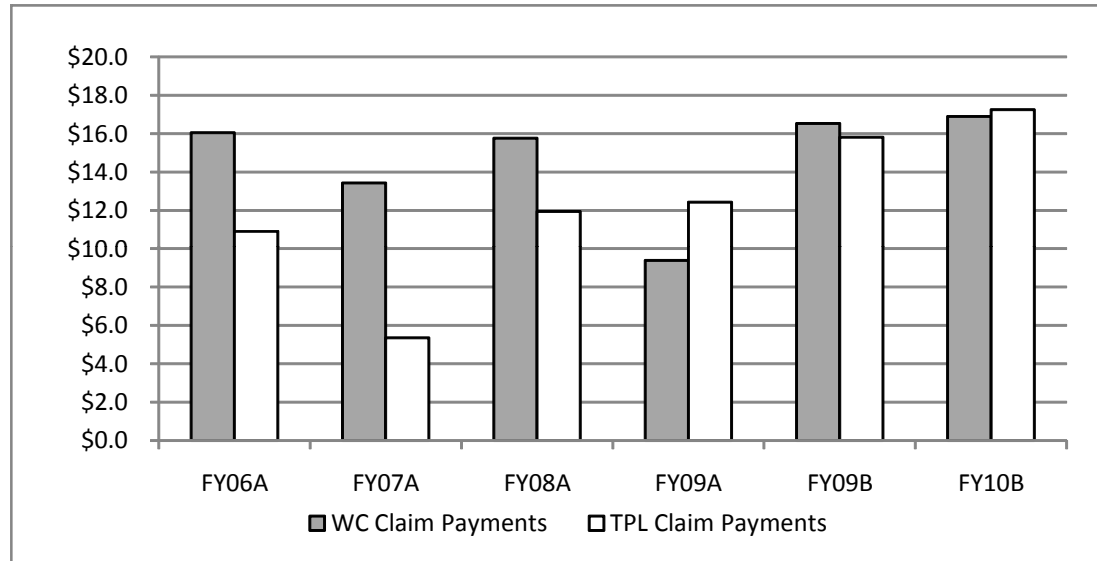


Dollars and Transactions in Thousands

83% Increase In
Monthly Average
Debit and Credit Card
Transactions From
FY2006 to FY2009



5. Review of Trends in Accident Claims Payments



	FY2006	FY2007	FY2008	FY2009		FY2010
	Actual	Actual	Actual	YTD-Actual	Budget	Budget
WC Claim Payments	\$16.0	\$13.4	\$15.8	\$9.4	\$16.5	\$16.9
TPL Claim Payments	\$10.9	\$5.4	\$12.0	\$12.4	\$15.8	\$17.3
Total Claim Payments	\$26.9	\$18.8	\$27.7	\$21.8	\$32.3	\$34.1

General Ledger Expense
\$ Millions