



Continued Review of FY2010 Expense and Revenue

Presented to the Board of Directors:

Budget Work Session

February 19, 2009





Budget Crosswalk FY2009 to FY2010

\$ Millions	Revenue	- Expense	= Subsidy	Budget Gap
FY2010 Baseline Budget.....	\$777	\$1,466	\$689	\$154 Initial "Budget Gap"
GM recommended Admin/Operations Cuts		(\$81)	(\$81)	\$73 Budget Gap as of Jan 8, 2009
<u>A. Additional Recommended Adjustments</u>				<i>Risk / Sustainability</i>
1. Fiber optic revenue	\$1.2		(\$1.2)	<i>Low risk, sustainable</i>
2. Defer funding GASB45		(\$4.0)	(\$4.0)	<i>Low risk, FY11 budget impact</i>
3. Reduce purchased services costs		(\$5.0)	(\$5.0)	<i>Low risk, sustainable</i>
4. Fed funding up from \$20.7 to \$30.7		(\$10.0)	(\$10.0)	<i>Risk is to capital, impact is sustainable</i>
5. Bus revenue from paper xfer	\$5.0		(\$5.0)	<i>High risk, unknown sustainability</i>
6. Personnel cost assumption change		(\$7.0)	(\$7.0)	<i>High risk, sustainability unknown</i>
7. Wage Settlement		(\$12.0)	<u>(\$12.0)</u>	<i>High Risk, unknown impact</i>
			(\$44.2)	\$28.8 = Remaining Budget Gap
<u>B. Adjustments Not Recommended At This Time</u>				
1. Reduce funding for claims		\$0	\$0	
2. Downsize treasury functions		\$0	\$0	
3. MetroAccess federal minimums		\$0	\$0	
<u>C. Recommended Service Adjustments</u>				
8. Eliminate duplicate bus service	(\$1.4)	(\$11.4)	(\$10.0)	
9. Widen bus and train headways	(\$1.3)	(\$12.0)	(\$10.8)	
10. Close Station Mezzanines	\$0.0	(\$0.7)	<u>(\$0.7)</u>	
			(\$21.4)	\$7.4 = Remaining Budget Gap



Adjustments to FY2010 Budget

Adjustment: **Increase Fiber Optic Revenue by \$1.2 million.**

Risk/Sustainability: **Low Risk/Sustainable**

Recent contract award for Pentagon Force Protection fiber added \$0.3 million.

Forecast revenue from existing fiber contracts can safely be revised upward. Actual revenue collection is better than had been assumed...previous forecast indicated declining revenue into FY2010

Out year revenue growth potential is significant.



Adjustments to FY2010 Budget

Adjustment: **Defer GASB45 Funding to Reduce Expense \$4 million.**

Risk/Sustainability: **Low Risk/Sustainable with Impact on FY2011**
FY2008 changes in accounting rules mandated recognition of liability (“promise”) related to retiree health costs. Funding the liability is optional.

In FY09 Metro stayed on a PayGo basis and did not fund the liability even though all local jurisdictions began funding their own retiree programs.

FY10 budget included \$5 million to begin funding, thereby improving credit rating and potentially reducing interest costs.

Proposal now is to retain \$1 million in FY10 budget to pay for startup costs to create the trust fund, develop the investment programs of the trust, build the financial and functional systems needed to operate the fund. Result is to defer \$4 million in expense to FY2011 thereby reducing FY2010.



Adjustments to FY2010 Budget

Adjustment: **Reduce Budget for Purchased Services \$5 million.**

Risk/Sustainability: **Low Risk/Sustainable**

Prior year pattern of not fully spending this budget line item indicates FY2010 budget is currently set higher than can be achieved.

This action will reset the base budget down to an achievable level.



Adjustments to FY2010 Budget

Adjustment: Increase application of existing federal funding to the operating budget by \$10 million

Risk/Sustainability: Risk is to Capital Budget/Sustainable

Impact over ten years \$100 million

Currently, \$20.7 million federal funding is applied to the operating budget. This action would increase that amount to \$30.7 million per year

Precludes the use of this funding to pay for capital projects; however, the probability of increased federal funding mitigates the immediate concern in capital

This action is sustainable assuming \$30.7 million per year of federal funding is continually directed into the operating budget

Does not include stimulus



Adjustments to FY2010 Budget

Adjustment: **Increase Bus Passenger Revenue by \$5 million.**

Risk/Sustainability: **High Risk/Unknown Sustainability**

Budget currently assumes \$5 million revenue increase due to elimination of paper transfers. This action increases revenues to \$10 million.

No data exists that would allow for analysis. Other transit properties have reported revenue increases of this magnitude when taking similar action but fare structures and extent of fare evasion may not have been similar to Metrobus



Adjustments to FY2010 Budget

Adjustment: **Personnel Cost Assumption Change Reduces Expense by \$7 million.**

Risk/Sustainability: **High Risk/Sustainability is Unknown**

Significant assumptions regarding budgeting for employee pay and benefit costs are built into the FY2010 budget

A more conservative, riskier set of assumptions can reduce the FY2010 budgeted expense level



Adjustments to FY2010 Budget

Items NOT recommended for adjustment at this time:

- **Claims funding.** This item was reduced by \$6 million below the actuarial recommendation in the final stage of approving the FY09 budget

Cash balance in the reserve is currently only \$6.7 million and estimated claims payout for the remainder of this year place the fund balance dangerously close to zero.

Actual Cash Balance 12/31/2008.....		\$6.7
Jan-Jun	Budgeted Contributions	\$16.2
	Forecast Claims Payouts	(\$17.4)
Forecast Cash Balance 6/30/2009.....		\$5.4

**Board Policy Calls for Cash Balance of \$7 million at 6/30/2009
20% of next year's estimated claims payouts of \$34.5**



Adjustments to FY2010 Budget

Items NOT recommended for adjustment at this time:

- **TRES budget for cash collection.** If customers significantly decrease the quantity of cash used to pay for fares, or if outsourcing cash counting proves viable, there could be a potential budget reduction. There is currently a minimal staffing level budgeted and further reductions at this time would result in delayed cash processing (deposits) and increased outages of fare vending machines.
- **MetroAccess operated to meet federal mandate.** An APTA peer review is scheduled to take place next month. And this subject is on the FAO calendar for April. Making budgetary decisions in advance of the peer review team having the opportunity to evaluate and make policy recommendations is not optimal.



Adjustments to FY2010 Budget

Recommended Metrobus and Metrorail Service Reductions

- Eliminate Duplicate Bus Service
- Widen Train and Bus Headways
- Close Station Mezzanines

Details available in the appendix



Appendix

Metrobus Duplicate Service Eliminations FY2010

Focuses on corridors where duplicate services exist
 Impact on ridership and revenue loss
 Minimal due to the availability of duplicate services
 Considered significant where a route or segment elimination results in trunk-line headways above 30 minutes.
 Moderate impact on service users; some ridership loss, most riders have alternate service
 Results in moderate cost and subsidy savings

District of Columbia

Routes	Line Name	N/NR	Service Reduction Description	Cost Savings		
				Revenue Loss	Cost Reduction	Subsidy Savings
60	FT TOTTEN-PETHWORTH	R	Eliminate 60 keep 64	\$50,000	\$400,000	\$350,000
L4	CONNECTICUT AVE	R	Eliminate L4 - keep L1,L2	\$20,000	\$145,000	\$125,000
N3	MASSACHUSETTS AVE	R	Eliminate N3 - keep N2,4,6	\$40,000	\$290,000	\$250,000
P2	ANACOSTIA-ECKINGTON	NR	Eliminate P2- keep P1,6	\$65,000	\$515,000	\$450,000
42	MOUNT PLEASANT	R	Eliminate segment McPherson-9th&G	\$80,000	\$630,000	\$550,000
80	NORTH CAPITAL STREET	R	Cut back trips McPherson-Kennedy Ctr	\$50,000	\$400,000	\$350,000
	CERTAIN SCHOOL TRIPS	NR	Eliminated trips excluded by FTA	\$0	\$639,000	\$639,000
Subtotal				\$305,000	\$3,019,000	\$2,714,000

Maryland

Routes	Line Name	N/NR	Service Reduction Description	Revenue Loss	Cost Reduction	Subsidy Savings
C4	GREENBELT-TWINBROOK	R	Eliminate C4 west of Wheaton Sta	\$0	\$1,008,000	\$1,008,000
C8	COLLEGE PK-WHITE FLNT	R	Eliminate off-peak and Saturday	\$263,000	\$1,299,000	\$1,036,000
L7	CONNECTICUT AVE MD	NR	Eliminate L7 - keep L8	\$28,000	\$97,000	\$69,000
P17,19	OXON HILL-FT WASHINGTON	R	Cut back to Southern Ave Station	\$41,000	\$603,000	\$562,000
W13,14	BOCK ROAD	R	Cut back to Southern Ave Station	\$28,000	\$263,000	\$235,000
J3	BETHESDA-SILVER SPRING	R	Eliminate J3 - keep J1,2	\$122,000	\$434,000	\$312,000
	15 Prince Georges routes		Widen headways after 9:30pm	\$390,000	\$2,597,000	\$2,207,000
Subtotal				\$872,000	\$6,301,000	\$5,429,000

Virginia

9A	HUNTINGTON-PENTAGON	R	Elimiate all service after 11pm Eliminate 10a weekday after 9pm and	\$6,000	\$94,000	\$88,000
10A,E	HUNTING TOWERS-PENTAGON	R	weekends - keep 10E	\$30,000	\$457,000	\$427,000
18R,S	BURK CENTER	NR	Eliminate 18R,S-keep 18P	\$82,000	\$1,102,000	\$1,020,000
28A,B	ALEX.-TYSONS CORNER	R	Cut back service from King St to NVCC	\$109,000	\$400,000	\$291,000
Subtotal				\$227,000	\$2,053,000	\$1,826,000

Grand Total

				\$1,404,000	\$11,373,000	\$9,969,000
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Metrobus Headway Widening FY2010

Ridership and Revenue: For headway expansion of less than five minutes, no ridership and revenue loss is assumed
 Impact on service users will be minimal; more crowding and standing but available capacity
 Results in minor cost and subsidy savings

District of Columbia

Routes	Line Name	N/NR	Service Reduction Description	Cost Savings		
				Revenue Loss	Cost Reduction	Subsidy Savings
52-54	14TH STREET	R	Peak Period Headway Widening	\$0	\$78,000	\$78,000
53	14TH STREET	R	Shorten Trips	\$0	\$50,000	\$50,000
70	GEORGIA AVENUE-7TH STREET	R	Shorten Trips	\$0	\$34,000	\$34,000
80	NORTH CAPITOL STREET	R	Peak Period Headway Widening	\$0	\$47,000	\$47,000
90-92	U STREET - GARFIELD	R	Peak Period Headway Widening	\$0	\$182,000	\$182,000
94	STANTON ROAD	R	Peak Period Headway Widening	\$0	\$182,000	\$182,000
A9	SOUTH CAPITOL STREET	R	Peak Period Headway Widening	\$0	\$127,000	\$127,000
B8	FORT LINCOLN	NR	Peak Period Headway Widening	\$0	\$96,000	\$96,000
G2	P STREET - LEDROIT PARK	R	Peak Period Headway Widening	\$0	\$125,000	\$125,000
G8	RHODE ISLAND AVENUE	R	Peak Period Headway Widening	\$0	\$36,000	\$36,000
H1	BROOKLAND - POTOMAC PARK	R	Peak Period Headway Widening	\$0	\$36,000	\$36,000
H2-4	CROSSTOWN	R	Peak Period Headway Widening	\$0	\$65,000	\$65,000
H6	BROOKLAND - FORT LINCOLN	NR	Peak Off-Peak Headway Widening	\$0	\$343,000	\$343,000
H8	PARK ROAD - BROOKLAND	NR	Peak Period Headway Widening	\$0	\$117,000	\$117,000
L1,2	CONNECTICUT AVENUE	R	Peak Period Headway Widening	\$0	\$213,000	\$213,000
N2-6	MASSACHUSETTS AVENUE	R	Peak Period Headway Widening	\$0	\$52,000	\$52,000
P1-6	ANACOSTIA - ECKINGTON	NR	Peak Period Headway Widening	\$0	\$62,000	\$62,000
S2-4	16TH STREET	R	Peak Period Headway Widening	\$0	\$208,000	\$208,000
V5	FAIRFAX VILLAGE - L'ENFANT PLAZA	R	Peak Period Headway Widening	\$0	\$18,000	\$18,000
V7-9	MINNESOTA AVENUE - M STREET	R	Peak Period Headway Widening	\$0	\$156,000	\$156,000
X2	BENNING ROAD - H STREET	R	Peak Period Headway Widening	\$0	\$151,000	\$151,000
SUB-TOTAL				\$0	\$2,378,000	\$2,378,000

Maryland

A12	ML KING HIGHWAY	R	Peak Period Headway Widening	\$0	\$92,000	\$92,000
J7,9	I-270 EXPRESS	NR	Peak Period Headway Widening	\$0	\$74,000	\$74,000
J11,12	MARLBORO PIKE	NR	Peak Period Headway Widening	\$0	\$47,000	\$47,000
P17,19	OXON HILL-FT WASHINGTON	R	Peak Period Headway Widening	\$0	\$83,000	\$83,000
T2	RIVER ROAD	NR	Peak Period Headway Widening	\$0	\$28,000	\$28,000
Z9,29	LAUREL-BURTONSVILLE EXP.	NR	Peak Period Headway Widening	\$0	\$94,000	\$94,000
Z11,13	GREENCASTLE-BRIGGS CHANEY EXP.	NR	Peak Period Headway Widening	\$0	\$114,000	\$114,000
SUB-TOTAL				\$0	\$532,000	\$532,000

Virginia

7A,E,F	LINCOLN-N FAIRINGTON	R	Widen headway Peak and evening	\$0	\$155,000	\$155,000
16G,H,W	COLUMBIA HTS-PENT. CITY	R	Peak Period Headway Widening	\$0	\$194,000	\$194,000
SUB-TOTAL				\$0	\$349,000	\$349,000

Grand Total

\$0	\$3,259,000	\$3,259,000
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Metrorail Service Reductions FY2010

Description	Annual Cost Savings millions	Annual Revenue Loss millions	Annual Subsidy Savings millions	Rail Riders Lost millions
Headway Widening				
Feather Morning build-up of service between 6 * and 7 am	\$1.07	\$0.00	\$1.07	0.00
Widen evening headway from 12 to 15 min between 6:30-9:30 pm; from 15 to 20 min * between 9:30pm-midnight	\$4.05	\$0.40	\$3.65	0.24
Widen midday headways on all lines from * 9:30am-3:00pm; use 8-car trains	\$1.71	\$0.50	\$1.21	0.30
Saturday: widen headways from 12 to 15 min * 10 am to 6 pm	\$1.93	\$0.35	\$1.58	0.21
Subtotal	\$8.76	\$1.25	\$7.51	0.75
 Station-Mezz Closings				
Close Mezanines on weekends at stations with multiple mezzanines that have <1,000 patrons * per day	\$0.50	\$0.00	\$0.50	0.00
On weekdays, close mezzanines earlier 8pm * 5 stations	\$0.20	\$0.00	\$0.20	0.00
Subtotal	\$0.70	\$0.00	\$0.70	0.00
 Grand Total	 \$9.46	 \$1.25	 \$8.21	 0.75