



Continued Review of FY2010 Expense and Revenue

Presented to the Board of Directors:

**Finance, Administration and Oversight
Committee**

February 26, 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 |
| Additional Adjustments | \$6 | (\$38) | (\$44) | \$28.8 | Budget Gap as of Feb 19, 2009 |
| <u>Recommended Service Adjustments</u> | | | | | |
| Eliminate bus service | (\$1.4) | (\$11.4) | (\$10.0) | | |
| Widen bus and train headways | (\$1.3) | (\$12.0) | (\$10.7) | | |
| Close Station Mezzanines | \$0.0 | (\$0.7) | (\$0.7) | | |
| Reduce non-regional bus service | tbd | tbd | (\$7.4) | \$0.0 | = Remaining Budget Gap |

**\$29 Million Service Reductions
to Close Budget Gap**

\$ Millions



Allocation of Subsidy by Jurisdiction

This would be the subsidy increase required without service reductions

\$73 Million "Budget Gap"

as of Jan 8, 2009

| | Total | District of Columbia | Montgomery County | Prince George's County | City of Alexandria | Arlington County | City of Fairfax | Fairfax County | City of Falls Church |
|---------------------|---------------------|----------------------|-------------------|------------------------|--------------------|------------------|-----------------|----------------|----------------------|
| Metrobus: | | | | | | | | | |
| Regional Bus | \$4,163,869 | \$142,000 | \$702,500 | \$762,800 | \$497,300 | \$816,100 | \$8,100 | \$1,196,600 | \$38,469 |
| Non-Regional Bus | (\$163,200) | \$270,400 | \$639,700 | (\$701,000) | (\$75,100) | \$45,500 | \$0 | (\$342,700) | \$0 |
| Subtotal | \$4,000,669 | \$412,400 | \$1,342,200 | \$61,800 | \$422,200 | \$861,600 | \$8,100 | \$853,900 | \$38,469 |
| Metrorail: | | | | | | | | | |
| Base Allocation | \$51,782,500 | \$17,868,400 | \$9,681,100 | \$9,339,500 | \$2,359,200 | \$4,953,900 | \$154,400 | \$7,296,400 | \$129,600 |
| Max Fare Subsidy | \$161,800 | \$8,000 | \$93,300 | \$23,100 | (\$44,500) | \$49,000 | \$1,300 | \$31,300 | \$300 |
| Subtotal | \$51,944,300 | \$17,876,400 | \$9,774,400 | \$9,362,600 | \$2,314,700 | \$5,002,900 | \$155,700 | \$7,327,700 | \$129,900 |
| MetroAccess: | \$17,006,400 | \$3,762,000 | \$4,029,700 | \$6,920,000 | \$113,600 | \$323,700 | \$39,900 | \$1,786,700 | \$30,800 |
| "Budget Gap" | \$72,951,369 | \$22,050,800 | \$15,146,300 | \$16,344,400 | \$2,850,500 | \$6,188,200 | \$203,700 | \$9,968,300 | \$199,169 |



Allocation of Subsidy by Jurisdiction

This would be the subsidy increase required without service reductions

\$29 Million "Budget Gap"

as of Feb 16, 2009

| | Total | District of Columbia | Montgomery County | Prince George's County | City of Alexandria | Arlington County | City of Fairfax | Fairfax County | City of Falls Chruuch |
|---------------------|---------------------|----------------------|-------------------|------------------------|--------------------|------------------|-----------------|----------------|-----------------------|
| Metrobus: | | | | | | | | | |
| Regional Bus | (\$14,487,431) | (\$7,742,400) | (\$2,146,900) | (\$2,319,400) | (\$419,400) | (\$636,500) | (\$27,900) | (\$1,153,700) | (\$41,231) |
| Non-Regional Bus | (\$4,312,000) | (\$1,569,200) | \$141,300 | (\$1,908,700) | (\$117,800) | (\$33,700) | \$0 | (\$823,900) | \$0 |
| Subtotal | (\$18,799,431) | (\$9,311,600) | (\$2,005,600) | (\$4,228,100) | (\$537,200) | (\$670,200) | (\$27,900) | (\$1,977,600) | (\$41,231) |
| Metro rail: | | | | | | | | | |
| Base Allocation | \$30,382,400 | \$10,484,000 | \$5,680,200 | \$5,479,800 | \$1,384,200 | \$2,906,600 | \$90,600 | \$4,281,000 | \$76,000 |
| Max Fare Subsidy | \$161,800 | \$8,000 | \$93,300 | \$23,100 | (\$44,500) | \$49,000 | \$1,300 | \$31,300 | \$300 |
| Subtotal | \$30,544,200 | \$10,492,000 | \$5,773,500 | \$5,502,900 | \$1,339,700 | \$2,955,600 | \$91,900 | \$4,312,300 | \$76,300 |
| MetroAccess: | \$17,006,400 | \$3,762,000 | \$4,029,700 | \$6,920,000 | \$113,600 | \$323,700 | \$39,900 | \$1,786,700 | \$30,800 |
| "Budget Gap" | \$28,751,169 | \$4,942,400 | \$7,797,600 | \$8,194,800 | \$916,100 | \$2,609,100 | \$103,900 | \$4,121,400 | \$65,869 |



FY2010 Budget Information

\$29 Million Service Reductions

Target Goal: Maintain Subsidy at FY2009 Level
While Minimizing Service Impact to Customers

| | Total | District of Columbia | Montgomery County | Prince George's County | City of Alexandria | Arlington County | City of Fairfax | Fairfax County | City of Falls Church |
|------------------------------|---------------|-------------------------|----------------------|------------------------------|-----------------------|---------------------|--------------------|-------------------|----------------------------|
| Budget Gap | \$28.8 | \$4.9 | \$7.8 | \$8.2 | \$0.9 | \$2.6 | \$0.1 | \$4.1 | \$0.1 |
| Eliminate Bus Service | (\$10.0) | (\$3.4) | (\$0.9) | (\$3.1) | (\$0.3) | (\$0.4) | (\$0.0) | (\$1.7) | (\$0.0) |
| Widen Bus and Train Headways | (\$10.7) | (\$4.1) | (\$2.0) | (\$1.8) | (\$0.4) | (\$0.9) | (\$0.0) | (\$1.3) | (\$0.0) |
| Close Station Mezzanines | (\$0.7) | (\$0.2) | (\$0.1) | (\$0.1) | (\$0.0) | (\$0.1) | (\$0.0) | (\$0.1) | (\$0.0) |
| * Add/(Cut) Non-Regional Bus | (\$7.4) | \$2.9 | (\$4.7) | (\$3.2) | (\$0.2) | (\$1.2) | (\$0.1) | (\$1.0) | (\$0.0) |
| Remaining Budget Gap | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |

* Plug subsidy number to achieve target of zero subsidy increase

\$ Millions

Subsidy allocations are approximations pending final calculation of miles and hours



FY2010 Budget Information

Update on Stimulus Funding, Uses and Eligibility

- The American Recovery and Reinvestment Act provides federal stimulus funding to transit properties by formula for eligible capital expenditures
- Federal Transit Administration (FTA) preliminary apportionment estimates identify \$231M for the Washington Metropolitan region
- Projects were selected from Metro's \$11.3B 10-yr capital needs inventory
- Funds are 100% allowable for preventive maintenance expenses



FY2010 Budget Information

A weekend parking fee of \$2.50 may decrease subsidy by slightly less than \$100,000 per year

\$3.00 fee may decrease subsidy by an additional incremental \$200,000 per year

| Revenue and Expenses Per Day | |
|--|-------------------|
| Assumed parking fee | \$2.50 |
| Parking capacity | 57,796 |
| Current weekday utilization | 88.00% |
| Weekday utilized spaces | 50,860 |
| Assumed weekend utilization | 25.00% |
| Assumed price elasticity | -0.30 |
| Weekend utilized spaces | 10,686 |
| Increased Parking Revenue | \$26,715 |
| Rail riders per parking space | 1.1 |
| Weekend rail trips w/o parking fee | 13,987 |
| Weekend rail trips with parking fee | 11,755 |
| Fewer rail trips | -2,232 |
| Rail Fare | \$2.35 |
| Two Way Trip | 2 |
| Decreased Rail Passenger Revenue | -\$10,490 |
| Increased Operating Expense | \$15,500 |
| Mod to LAZ Parking Contract | |
| # of Saturdays, Sundays and Holidays | 114 |
| Annual Increase / (Decrease) to Subsidy | (\$82,685) |

See appendix for results of literature review on parking elasticity



FY2010 Budget Information

- MetroAccess Service area and hours currently exceeds ADA minimum requirements:
 - Operates beyond $\frac{3}{4}$ mile corridor around fixed-route service, 19 hours per day (21 hours on weekends)
 - Nominal supplemental fare charged (\$1.00 for every three miles beyond corridor to a maximum of \$4.00)
 - Operates extended service hours on weekends
- Approximately 5,800 passenger trips per month (3% of total) fall into this category
- Using FY2010 projected ridership and an average cost of \$39.84 per passenger, potential cost reduction \$2.8 million per year



FY2010 Budget Information

Retail in Metro (see appendix for complete staff report)

- May 2006, RFP prepared for a master licensee to operate retail locations at selected Metrorail stations. The RFP was to include proposals for food uses.
- Board approved retail activities in paid areas of Metrorail stations, but prohibited the sale of food and beverages.
- Consensus from the larger retail operators and other transit agencies was that the most desired and financially lucrative transit retail use is a newsstand that includes the sale of food and beverages.
- The Bay Area Rapid Transit (BART), Los Angeles County Metropolitan Transit Authority (LA MTA) and Chicago Transit Authority (CTA) permit the sale of food on their premises but prohibit eating in stations, trains or buses.



FY2010 Budget Information

Revenue from advertising alcohol

It is estimated that between \$450,000 and \$500,000 additional advertising revenue could be generated if Metro allowed for alcohol advertisements on Metrobus and Metrorail



FY2010 Budget Information

Washington Post Articles

Riders Sound Off On Metro Cuts

By Robert Thomson
Sunday, February 22, 2009; C02

Dear Dr. Gridlock:

Instead of looking only at cuts to service, consider adding more profitable service that could subsidize the less-profitable but needed routes. For example, adding express bus service at fares high enough to generate profits could make sense.
-- Adrienne Schmitz Vienna

Close the system at 10 o'clock every night? A nonstarter. It would kill the system and have a severe impact on the local economy. Dropping Yellow Line service totally on evenings and weekends? Again, a nonstarter. You'll just encourage people to drive. Eliminating Yellow Line service between Mount Vernon Square and Fort Totten? This is a reasonable cutback. Increasing train intervals to 20 or 30 minutes? No way! I'd never take Metro on weekends. Reduce midday service between Grosvenor and Shady Grove? And what would those people do for transportation? Get in their cars? Opening at 5:30 instead of 5 a.m.? This is reasonable. Closing some low-use stations on weekends? Only as a last resort. You just force people onto the roads, or make it impossible for some to travel at all. Closing some entrances at certain times? Very reasonable.

Bob Dardano Washington

Raise the fares. What we pay now is a bargain. We need continued service at the current level.
-- Ellen Look Washington

Ending the duplication of Yellow and Green Line service to Fort Totten makes sense. So does closing some entrances and maybe closing some rarely used stations on weekends. But Metrorail is so important that any cutbacks seem like a misplaced priority.
-- John Barnes Harrisburg, Pa.

One bright spot in the regional economy has been the development of theaters, sports venues, restaurants, museums and other attractions in Penn Quarter, U Street and Columbia Heights -- all served by the Yellow Line for passengers from Virginia. Cutting this service would certainly reduce travel for recreation into the city. Why would we want to risk this during an economic downturn?
-- Elisabeth Brocking Alexandria

Eliminate Yellow Line off-peak extension to Fort Totten. Make train intervals 20 minutes on weekends. Close some Metro entrances all day on weekends, but open all hours weekdays. Eliminate free weekend parking. Don't raise fares for 24 months. Don't eliminate the off-peak fare.
-- J.R. Morgan Silver Spring

The idea of cutting Metro services or increasing fares -- at a time when the area should be focusing on how to bring more people onto public transportation, not fewer -- is appalling and depressing. My husband and I spent a lot of money buying a house that is close to a Metro stop, with the expectation that Metro's vitality and usability would continue to flourish.
-- Naomi Harris Arlington



FY2010 Budget Information

| ELT Responsibility | Title | Rationale |
|---|--|---|
| General Manager | Chief Administrative Officer | Created September 2008- As a member of the Executive Leadership Team, the CAO has oversight responsibilities for IT, Planning/Joint Development, Safety & Workforce Services. The efforts of the Office of the CAO will focus on strategically partnering with Metro operations to coordinate and deliver aligned and complementary administrative resources and services which add to Metro's ability to deliver high-quality transit service in a cost efficient manner. |
| Assistant General Manager for MetroAccess | Director for Eligibility Certification | Responsible for the proper application of ADA eligibility criteria to all applicants for MetroAccess paratransit service. This vital position ensures that customers with disabilities are matched with the appropriate Metro service to meet their travel needs. The process is being streamlined to leverage in-house staff and reduced contract services to make more prompt and accurate eligibility determinations, and to refer and train for travel on bus and rail services those whose disabilities do not prevent them from doing so. |



FY2010 Budget Information

| ELT Responsibility | Title | Rationale |
|---|--|---|
| Metro Transit Police | Director of Emergency Management | As a result of the reorganization in early 2008 the responsibility of emergency management was shifted to the MTPD. It was recognized that Metro needed internal expertise in this area and in December 2008 recruited a nationally known authority in this arena to fill the position of Director of Emergency Management. This effort that will bring effective and efficient emergency management to the Authority. |
| Assistant General Manager for Workforce Services | Director of Human Resources Operation Services | This Director is responsible for the strategic development, administration and monitoring of the Authority's performance systems programs, initiatives and policies (performance evaluation, success criteria systems, talent identification and development, business systems process improvement and automation, physical factors/assessments to include medical services, workforce modeling and planning and organizational structure with position control management. |



FY2010 Budget Information

| ELT Responsibility | Title | Rationale |
|---|-------------------------------------|---|
| Assistant General Manager for Workforce Services | Client Services Directors (2) | Positions created as part of restructuring of Workforce Services in November 2007 to a client-based organization. HR Directors are responsible for the overall planning, operations, and service delivery provided by the Authority to its client groups as it pertains to HR services, including the delivery and execution of all human resource programs, policies and initiatives. *FY09 budget included total of 4 HR Director Client Services positions; 2 eliminated in FY10 administrative reduction. |



FY2010 Budget Information

Proposed Service Reduction Schedule

• FEBRUARY 2009

- February 26 – FAO Budget Workshop

• MARCH 2009

- **March 5 – Obtain Board approval to go out for Public Hearing on service reductions**
- March 7 – Staff provides 15 day hearing notice and schedules/advertises hearings
- March 23 – Public hearings on service reductions occur (Two in each Signatory) through April 3, 2009

• APRIL 2009

- April 8 – Public record closes (5 day open docket period after hearings)
- April 16 – Staff presents Public Hearing Staff Report to FAO Committee (not currently scheduled)
- **April 23 – Obtain Board approval of Public Hearing Staff report and proposed service reductions**
- April 24 – Staff begins building new schedules and begins communications effort, signage, updates, etc.

• MAY 2009

- May 18 – Schedule notification period ends and staff continues outreach and begins scheduling / pick

• JUNE 2009

- June 19 – System pick complete
- June 28 – New service reductions go into effect



Appendix

Update on Retail in Metrorail Stations

In May 2006, staff sought Board approval to issue a Request for Proposals (RFP) for a master licensee to operate retail locations at selected Metrorail stations. The RFP was to include proposals for food uses. At that time, the Board approved a revision to the Regulations Concerning the Use by Others of WMATA Property (the "Use Regulation") to include retail activities in paid areas of Metrorail stations, but prohibited the sale of food and beverages. The Board also directed staff to investigate retail uses at other transit properties and report back with recommendations so the Board could set parameters if food uses were to be included in a solicitation.

In June 2006, staff issued a RFP for the operation of retail services at the following twelve (12) Metrorail Stations:

District of Columbia

Anacostia, Metro Center (3 retail sites), Gallery Place - Chinatown, Georgia Ave - Petworth

Virginia

King Street, Rosslyn, West Falls Church - VT/UVA, Vienna/Fairfax - GMU

Maryland

College Park - U of Md, Glenmont, New Carrollton, Shady Grove

Only three (3) unsatisfactory responses were received for the highest ridership stations, and staff subsequently rejected them. One proposal was for a shoe shine stand at Gallery Place-Chinatown station, one was for a newsstand at Rosslyn station and one was for a newsstand at Metro Center station. Both newsstand proposals included the sale of packaged food and beverages.

In February 2007, a Request for Expressions of Interest (REOI) was issued (responses received March 16, 2007) for additional guidance on the types of services to be included in a successful Retail Services Program. Eight responses were received, four of which were from large, national operators of newsstands and retail kiosks that could be potential proposers in a Retail RFP for a master licensee.

REOI FINDINGS

Food Sales

The consensus from the larger retail operators and staff at other transit agencies was that the most desired and financially lucrative transit retail use is a newsstand that includes the sale of food and beverages. Newspapers and magazines account for less than 30% of the newsstand business. Newsstand operators advised that they would not propose for retail sites offered in an RFP unless the current prohibition on food and

beverage sales was lifted. Another reason newsstand companies did not propose in the June 2006 RFP was due to the large number of newspaper vending machines at stations that would compete with sales at a newsstand concession. Boxes can be placed on WMATA property free of charge at no revenue to the Authority. All other transit agencies charge a fee for each box placed on its properties and limit the number of boxes at each station.

WMATA previously conducted a Public Perceptions of Transit Tracking Study where 57% of respondents said they would likely patronize newsstands and 53% said they would shop at a convenience store with items such as souvenirs, flowers and light groceries.

A profitable retail venture would require amending the Use Regulation to allow for the sale of pre-packaged candy, juices, water and soda. The current policy prohibiting consumption of food inside stations and in trains and buses would be retained. The Bay Area Rapid Transit (BART), Los Angeles County Metropolitan Transit Authority (LA MTA) and Chicago Transit Authority (CTA) permit the sale of food on their premises but prohibit eating in stations, trains or buses.

Ridership/Sales Numbers

One of the newsstand respondents stated that in order to break-even it needed minimum ridership of 18,000 passengers per week using its projected per passenger sales figure. This would limit the number of viable Metrorail stations to eight instead of the twelve envisioned by staff.

Installation of a retail location is expensive. Staff estimates that each retail site could cost approximately \$50,000 for a kiosk and \$12,000 for utility lines based on experience with the Automated Teller Machine program utility installation costs.

CURRENT RETAIL USE FOR REVIEW BY OPERATIONAL DEPARTMENTS

Based on the information provided above, Metro staff views a mobile vending program as potentially feasible for WMATA. Some potential retail uses as part of this program could include florists, dry cleaning drop off/pick up, and take-home packaged gourmet dinners. A public solicitation may reveal interest in additional retail uses. While not as profitable as newsstands, mobile retail would provide a customer amenity with some nominal revenue to WMATA. I have asked staff to explore the feasibility of a pilot program in this area.

Staff will work with WMATA operating departments to determine if a mobile vending pilot program at selected Metrorail stations can be implemented. If no operational objections are raised, staff intends to issue a REOI for mobile vending services in March 2009, with a report on the findings and a recommendation to the Board in May 2009.

TABLE 7B10 SUMMARY OF PARKING ELASTICITY STUDIES

| <i>Study</i> | <i>Location</i> | <i>Description</i> | <i>Elasticity</i> |
|--------------------------|-----------------|---|-------------------|
| Gillen (1977) | Not stated | Weighted parking price elasticity of the probability of car use | -0.31 |
| Bajic (1984) | Toronto | Excess time elasticity of transport demand | -0.30 to -0.35 |
| Ergun (1971) | Chicago | Arc price elasticity of demand for parking location | -0.43 |
| Gillen (1978) | Toronto | Point elasticity, with respect to daily parking charges, of demand for parking location | -0.33 |
| Kulash (1974) | San Francisco | Overall price elasticity of demand for parking | -0.25 |
| Kunze et al (1980) | Chicago | Linear arc elasticity of demand for long term parking | -1.2 |
| Haworth & Hilton (1980) | London | Elasticity of demand for long term parking | -0.74 |
| Suber et al (1984) | Los Angeles | Arc price elasticity of demand for car traffic wrt parking charges | -0.1 |
| Pickerell & Shoup (1980) | Los Angeles | Linear arc parking price elasticity of demand for car traffic | -0.2 |
| Pickerell & Shoup (1980) | Los Angeles | Price elasticity with regard to work trips by car | -0.29 |
| Miller & Everett (1982) | Washington DC | Linear arc price elasticity of demand for car use | -0.32 (or less) |

Source Feeney (1989, pp. 235-241).

Response to Questions raised at Feb.19,2009 FAO Committee

What are the weekday station stations mezzanine closings?

Five stations are listed as possible closings on weekends. They are:

| | Sat Ridership | Sun Ridership |
|---|------------------|------------------|
| 1. Anacostia Station – North Entrance (parking garage) | 150 | 96 |
| 2. Stadium Armory Station – South Entrance (Hospital side) | 460 | 265 |
| 3. Navy Yard Station – East Entrance (except for events at Stadium) | 829 | 543 |
| 4. Shaw-Howard University Station – South Entrance | 984 | 664 |
| 5. King Street Station – North entrance (new mezzanine) | 861 | 669 |

Five Stations are listed as possible closing early on weekdays. They are:

1. King Street Station - (North entrance)
2. Stadium Armory Station - (North entrance)
3. McPherson Sq. Station - (West) entrance
4. Shaw-Howard University Station - (South entrance)
5. Friendships Heights Station - (South entrance)

What are the Prince George’s route cuts for the widening Headways after 9:30 pm?

Part of the possible bus reductions is the widening of headways after 9:30 pm on 15 bus routes; the routes are:

1. H11-13 Marlboro Heights-Temple Hill
2. F1-2 Chillium Road
3. V14-15 District Heights-Sea Pleasant
4. C21-29 Central Ave
5. J11-13 Marlboro Pike
6. D12-14 Oxon Hill-Suitland
7. K11-13 Forrestville
8. A11-12 ML King Highway
9. R4 Queens Chapel Road
10. R1,2,5 Riggs Road
11. P12 Eastover-Addison
12. F4-6 Prince George’s Plaza-Silver Spring
13. C2-4 Greenbelt-Twinbrook
14. T18 Annapolis Road
15. P17-19 Oxon Hill-Fort Washington

What does feather morning build-up on rail service between 6 and 7 am mean?

This means reducing the number of trips an all 5 rail Lines by two trips in each direction; resulting in widening the headway from every 6 minutes to every 8 minutes.