



**Finance & Administration Committee**

**Information Item III-C**

**February 27, 2014**

## **FY2014 Q2 Financial Performance Review**

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

Action  Information

MEAD Number:  
200652

Resolution:  
 Yes  No

**TITLE:**

FY2014 Second Quarter Operating Budget Results

**PRESENTATION SUMMARY:**

This presentation summarizes FY2014 second quarter operating budget results.

**PURPOSE:**

The Finance and Administration Committee will be informed of the FY2014 second quarter operating budget results.

**DESCRIPTION:**

**Key Highlights:**

- Through the second quarter of FY2014, Metro has a positive net operating position of \$16.6 million due to positive variances of \$2.5 million in revenue and \$14.2 million in expenditures.
- Year-to-date total ridership on all three modes is up 1.6 percent over last year but is 1.4 percent below budget. Second quarter Metrorail ridership was down due to the federal shutdown in October and weather and the timing of holidays in December, but those impacts have been partially mitigated by District of Columbia student ridership on bus.
- In addition to positive performances in advertising and fiber optic revenues, Metro received a one-time insurance payment in the second quarter that boosted non-transit revenues.

**Background and History:**

Metro's \$1.7 billion FY2014 operating budget provides for the personnel, materials and supplies, fuel and propulsion power, and services to operate Metrobus, Metrorail, and MetroAccess.

**Discussion:**

**Ridership**

Total ridership in the second quarter was 81.5 million trips, which was below budget by 2.7 percent. A 1.0 million positive variance in Metrobus and MetroAccess ridership was offset by a 3.3 million negative variance in Metrorail ridership.

Metrorail ridership was heavily impacted (down 15-20 percent on weekdays) by the federal government shutdown in early October. Rail ridership returned to trend in November, but ridership declined again in December as a result of poor weather in the first half of the month and the timing of holidays (i.e., Christmas Day and New Year's Day falling on Wednesdays), which reduced overall weekday ridership in the second half of the month.

Metrobus continued its positive performance in the second quarter as a result of additional ridership by DC students as well as overall rider response to service improvements and investments. Ridership in October and November was above budget by approximately 0.5 million each month, and ridership in December was down only 0.1 million to budget despite facing the same weather and holiday challenges as rail. Bus continues to show strong performance on weekends, with average ridership up close to six percent over the same period last year.

MetroAccess continued to show positive variance to budget for ridership in the second quarter, though the variance was lower in December than in the previous two months. Total ridership of 528,000 in the quarter was above budget by 7.8 percent. Growth in the MetroAccess registrant pool is the primary cause of the higher ridership. This growth is occurring consistently across the region, with little difference between jurisdictions in registrant growth rates over the past year.

### **Operating Revenue**

Total revenues through December are \$432.1 million, which is \$2.5 million (0.6 percent) above budget. Passenger fares and parking fees are below budget by \$3.7 million. If not for the estimated \$5.7 million impact of the federal government shutdown in October, fares and fees would be above budget by \$2.0 million. However, non-transit revenues of \$30.1 million have offset the variance in fares and fees and are \$6.2 million above budget. In addition to positive performances in advertising and fiber optic revenues, Metro received a one-time insurance payment in the second quarter that boosted non-transit revenues.

The FY2014 budget assumes six months of revenue service for the Silver Line, but no opening date for service has yet been set. The budgetary impact of the delayed opening will begin in January 2014, as net Silver Line fare revenue was forecasted at approximately \$2.8 million per month.

### **Operating Expenses**

Second quarter operating expenses were under budget by \$5.8 million or 1.4 percent, and year-to-date operating expenses are under budget by \$14.2 million or 1.7 percent. This favorability is driven primarily by Services and by Fuel, Propulsion, & Utilities:

- Services were favorable by \$4.4 million in the second quarter and \$13.0 million year-to-date as a result of timing of various job order contracts, lower SmarTrip® expenses (due to the favorable resolution of a contract closeout), and other service contracts. MetroAccess contract expenses are also below budget due to one-time cost savings related to the transition to the new MetroAccess service model. These savings are being partially offset, however, by increased MetroAccess ridership.

- Metro has also locked in half of its diesel fuel budget and the entire propulsion budget through favorable hedges and fixed price contracts. As a result of these activities and lower usage, expenses in Fuel, Propulsion, & Utilities were favorable by \$6.7 million in the second quarter and \$10.8 million year-to-date. Year-to-date favorability includes an \$800,000 CNG tax credit variance to budget.

Continued targeted investment in railcar maintenance (primarily in preparation for the Silver Line) and bus maintenance (in part due to vandalism and accidents) has led to above-budget expenses in Materials & Supplies. However, this variance has been partially offset by the timing of other expenses including special purpose training materials, safety materials, and printing of bus schedules. Materials & Supplies were over budget by \$4.1 million in the second quarter and by \$5.9 million year-to-date. Management will continue to monitor these expenses and has recommended adjustments in the FY2015 Proposed budget to align the budget with current experience.

Finally, Personnel expenses were \$2.3 million over budget in the second quarter and \$5.7 million year-to-date. Focused efforts to control overtime continue to yield results: year-to-date overtime expenses are \$1.3 million lower than during the same period last year. However, second quarter overtime expenses were \$3.5 million above budget and \$0.5 million higher than the same period last year. The second quarter budget overage was mainly due to spending in December, which included \$1.4 million for snow removal and repair of a broken rail and \$0.3 million of retroactive overtime payments. Overtime expenses have been partially offset by savings in salaries and wages, which are \$6.7 million under budget year-to-date, primarily due to vacancies. However, new wage rates and retroactive payments for employees represented by Local 689, Local 922, and Local 2 have reduced the overall favorability in salaries and wages. Metro is developing a forecast to manage overtime in the second half of FY2014 that will be based on 1) attrition and hiring rates and 2) the implementation of fatigue management strategies.

**FUNDING IMPACT:**

No funding Impact. This presentation provides information on FY2014 second quarter financial performance.

**TIMELINE:**

<b>Previous Actions</b>	FY2014 First Quarter Operating Budget Performance Review presented to the Committee (November 2013)
<b>Anticipated actions after presentation</b>	Approval of the Public Hearing Report and Adoption of the FY2015 Operating Budget (March 2014) Approval of the FY2015 Capital Budget and FY2015-2020 Capital Improvement Program (April 2014) FY2014 Budget Amendments (March 2014) FY2014 Third Quarter Financial Report (June 2014)



Washington Metropolitan Area Transit Authority

# Fiscal Year 2014 – Second Quarter Operating Budget Results

Finance and Administration Committee  
February 27, 2014



# FY2014 Second Quarter Operating Budget Results

## OPERATING BUDGET (\$ in Millions)

	FY2014 YTD		Budget Variance	
	Budget	Actual	\$	Percent
Revenue	\$430	\$432	\$2	1%
Expense	\$826	\$812	\$14	2%
Subsidy	\$397	\$380	\$17	4%
Cost Recovery	52%	53%		



# FY2014 Second Quarter Revenue and Ridership

## FY2014 Second Quarter Ridership and Revenue

Mode	Measure	Budget	Actual	Variance
Rail	Ridership	106 million	102 million	
	Revenue	\$307 million	\$299 million	
Bus	Ridership	67 million	68 million	
	Revenue	\$71 million	\$75 million	
Access	Ridership	1.01 million	1.07 million	
	Revenue	\$4 million	\$4 million	
Parking	Revenue	\$24 million	\$23 million	



# FY2014 Second Quarter Operating Expenses

## FY2014 Operating Expenses Through Q2

Expense Category		Budget	Actual	Variance
Labor	Salaries and Wages	\$403 million	\$407 million	
	Fringe Benefits	\$189 million	\$191 million	
Non-Labor	Fuel, Propulsion and Utilities	\$75 million	\$64 million	
	Services	\$103 million	\$90 million	
	Materials and Supplies	\$38 million	\$43 million	
	Insurance and Other	\$19 million	\$17 million	
Total Operating Expenses		\$826 million	\$812 million	



# Outlook for Second Half of FY2014

- Forecast
- Risks
- Mitigation



# Next Steps

## March 2014

- Approval of the Public Hearing Report and Adoption of the FY2015 Operating Budget
- FY2014 Budget Amendments

## April 2014

- Approval of the FY2015 Capital Budget and FY2015-2020 Capital Improvement Program

## June 2014

- FY2014 Third Quarter Financial Performance Review

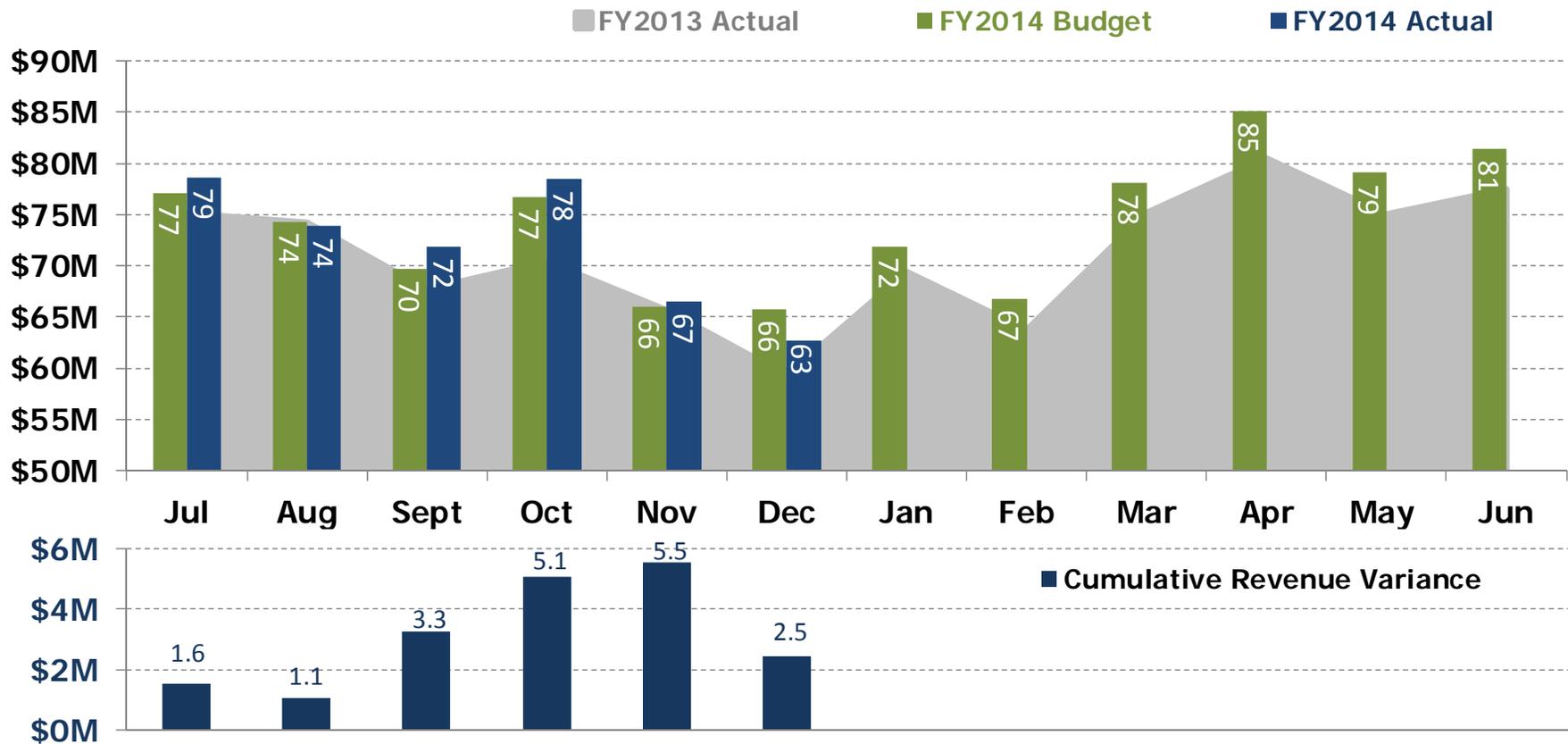


# Appendix



# FY2014 Operating Revenue

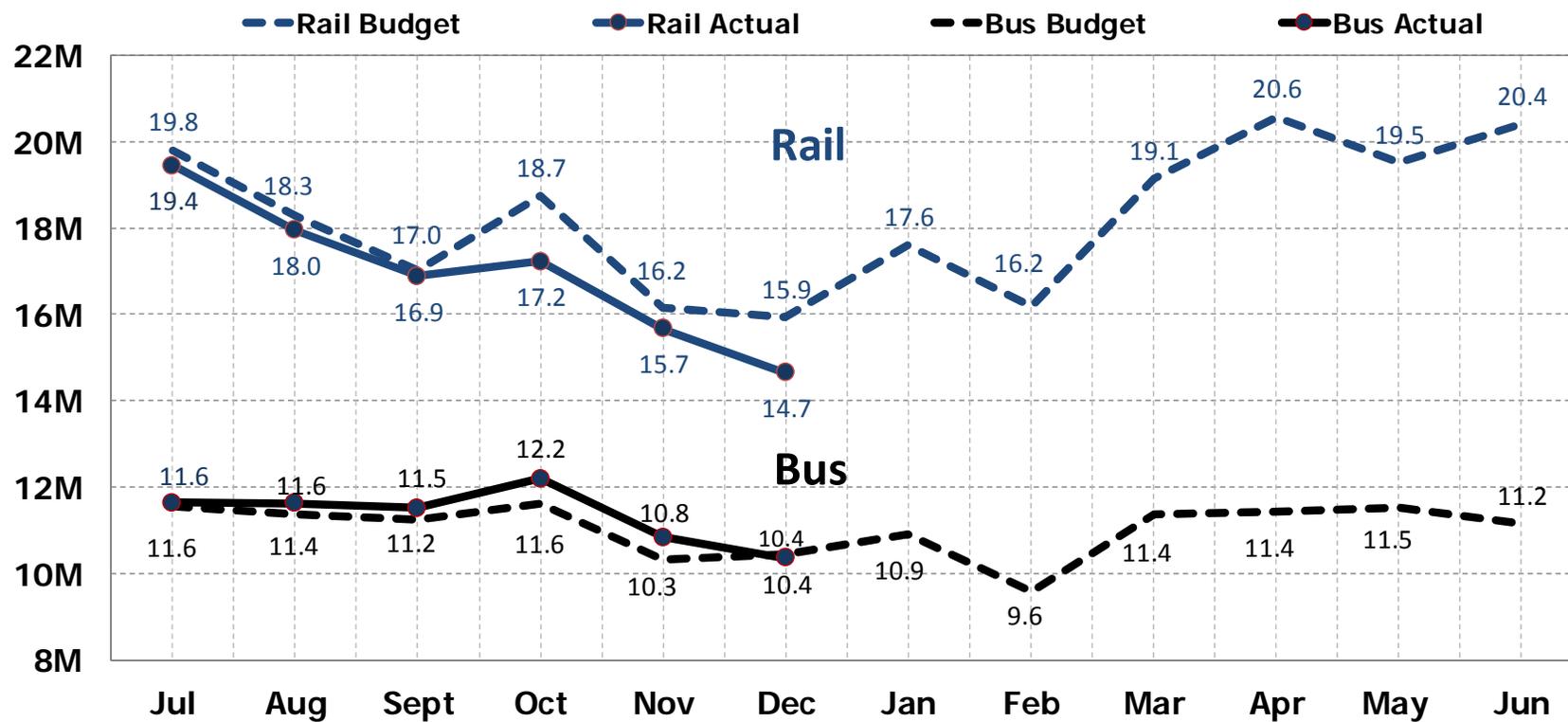
## OPERATING REVENUE





# FY2014 Rail and Bus Ridership

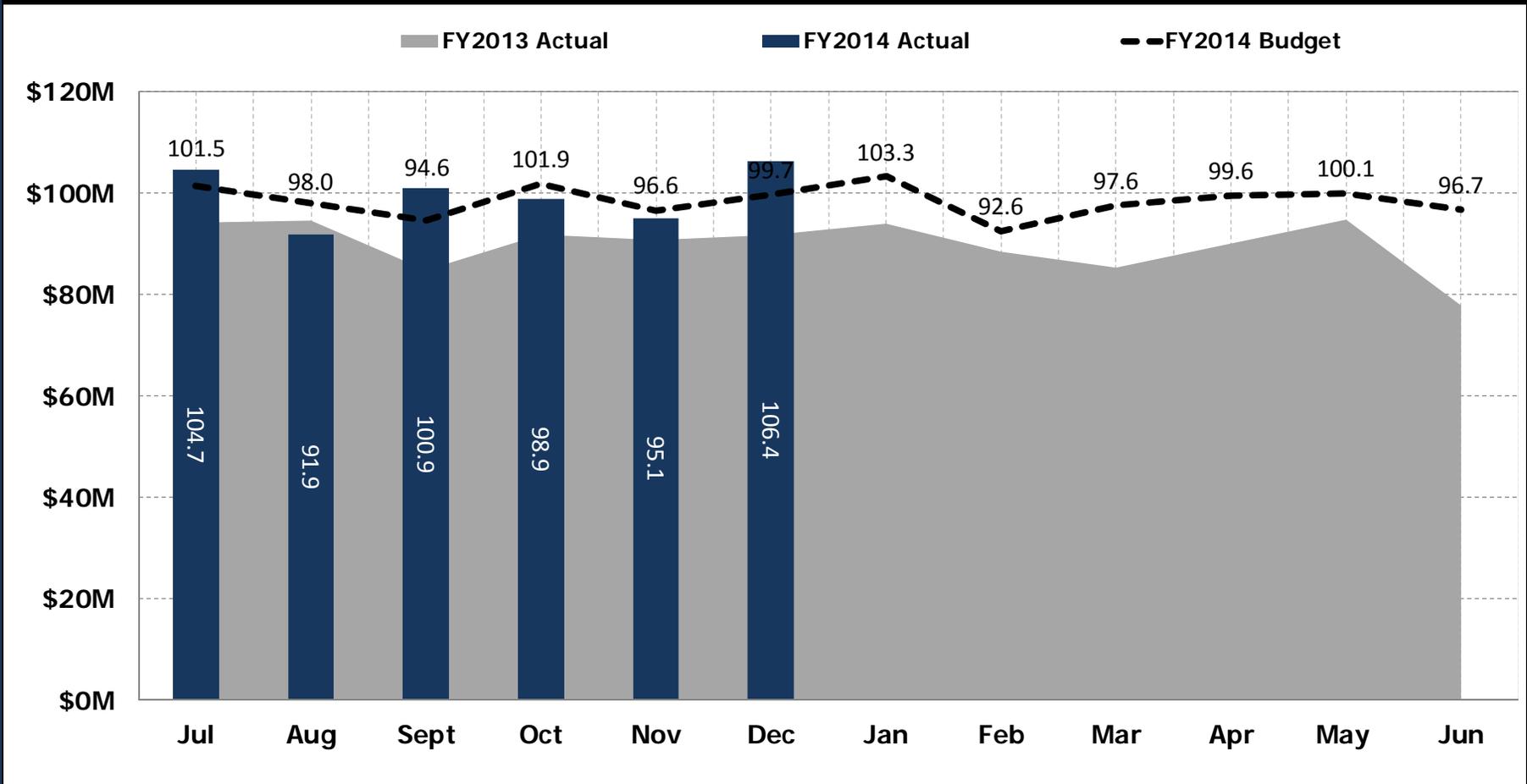
## MONTHLY RIDERSHIP FOR RAIL AND BUS





# FY2014 Labor Expenditures

## FY2014 LABOR BUDGET VS ACTUAL (\$ in Millions)





# FY2014 Non-Labor Expenditures

## FY2014 NON-LABOR BUDGET VS ACTUAL (\$ in Millions)

