



**Finance, Administration and Oversight Committee**

**FY08 Budget Review Item V-B**

**April 12, 2007**

## **Policy on Reserve Balance for Claims**

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

Action  
 Information

MEAD Number:

Resolution:  
 Yes  No

**PURPOSE**

To update the Finance, Administration and Oversight Committee on the status of the workers' compensation and third party claims reserve fund and to present a staff recommendation to change the existing Board policy for funding this reserve.

**DESCRIPTION**

Metro is self-insured for most routine claims arising from accidents and litigation. A Board approved reserve fund exists to pay these claims. The reserve is replenished annually by including an amount in the operating budget sufficient to keep the reserve balance above a minimum level established by Board policy.

In general, the current policy (resolution #2002-30) sets the minimum reserve at a level sufficient to pay one year's anticipated claims plus an amount sufficient to pay foreseeable large claims anticipated in the year ahead.

Staff is recommending, with independent actuarial concurrence, that the minimum reserve balance be 20 percent of one year's anticipated claims. The FY08 Operating Budget has been proposed assuming adoption of this staff recommendation.

**RECOMMENDATION**

Approve, as part of the FY08 Operating Budget approval, the 20 percent minimum reserve funding policy.

**PRESENTED & ADOPTED: JUNE 20, 2002**  
**SUBJECT: APPROVAL OF FISCAL 2003 OPERATING BUDGET**  
**AND OPERATING REIMBURSABLE PROJECTS**

**#2002-30**  
**RESOLUTION**  
**OF THE**  
**BOARD OF DIRECTORS**  
**OF THE**  
**WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY**

WHEREAS, the Board of Directors has received the comments of the local jurisdictions on the Proposed Fiscal 2003 Operating Budget, and;

WHEREAS, the Board of Directors has received the requests of the local jurisdictions in establishing the Fiscal 2003 Reimbursable Operating Projects, and;

WHEREAS, the comments received support adoption of the Fiscal 2003 Operating Budget as distributed to the local jurisdictions, and;

WHEREAS, the FY2003 Operating Budget includes:

- the eighth consecutive year without any fare increase,
- support for operation of the new 5000-series rail cars placed into service,
- continued expansion of demand based bus service,
- approximately \$25 million in base cost reductions necessary to offset revenue shortfalls occurring as a direct result of the terrorist attacks of September 11, 2001,
- with the exception of new bus service, implementation of additional operational and maintenance capabilities utilizing existing staff with no increase in budgeted positions,
- expanded paratransit services to meet increased demand,
- continued ramp-up of internal staffing for elevator and escalator maintenance services,
- introduction of a Regional Clearing House to permit multi-operator SmarTrip acceptance;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors approves the Fiscal 2003 Operating Budget providing for revenues of \$445,684,100, operating expenses of \$850,031,444, and a operating subsidy requirement of \$404,347,344 including the Fiscal 2003 debt service requirement of \$27,484,194, as further detailed in the attachment, and approves a staffing level of 10,156 positions;

BE IT FURTHER RESOLVED that the Fiscal 2001 audit adjustment is \$25,529,818;

BE IT FURTHER RESOLVED that the jurisdictional shares of the Fiscal 2003 gross subsidy and debt service requirement are as follows:

District of Columbia .....	\$158,780,800
Montgomery County .....	\$69,119,539
Prince George's County .....	\$74,514,620
City of Alexandria .....	\$17,633,550
Arlington County .....	\$29,541,297
Fairfax City .....	\$887,378
Fairfax County .....	\$52,744,670
City of Falls Church .....	<u>\$1,125,491</u>
Total .....	\$404,347,344

BE IT FURTHER RESOLVED that the Reimbursable Operating Projects that will be undertaken are as follows:

Potomac & Rappahannock Trans. ....	\$5,410,000
DC DPW .....	\$1,300,000
Greenbelt Shuttle .....	\$87,000
Springfield Circulator .....	\$331,000
Springfield Shuttle .....	\$109,000
Crofton-New Carrollton .....	\$123,000
Van Pools .....	\$210,000
Access-to-Jobs .....	\$350,000
National Arboretum .....	\$84,000
Hybrid Electric Bus Service .....	\$530,000
Charles County Service .....	\$746,000
Federal Triangle-Montgomery Mall .....	\$158,000
Tyson's Reverse Commute .....	\$600,000
Greenbelt to BWI .....	\$645,000
Waldorf to Branch Avenue .....	\$692,000
Laurel to Silver Spring .....	\$129,000
Bethesda Reverse Commute .....	\$302,000
College Park to Bethesda .....	<u>\$400,000</u>
Total Reimbursements .....	\$12,206,000

BE IT FURTHER RESOLVED that an analysis will be presented in an expedited manner to the appropriate committee of the Board on the feasibility and cost of creating rapid response teams to provide enhanced emergency elevator and escalator repair services;

BE IT FURTHER RESOLVED that the Board approves conversion of Route 5A from a reimbursable route to a regional route and approves use of the adjusted subsidy allocation formula in which revenue hours and miles are weighted by jurisdiction of residence of riders for this route;

BE IT FURTHER RESOLVED that the Board revises resolution #84-54, adopted on July 26, 1984, which established a claims reserve for workers' compensation and third party liability claims, to also include provisions for employee claims in the reserve, and to revise the size of the reserve from all outstanding liabilities to only the liability for claims expected to be paid in the budget year, as well as a sufficient amount to permit the reserve to pay large claims or foreseeable annual claim variations in any budget year without exceeding the amount available in the reserve;

BE IT FURTHER RESOLVED that the Board approves increases in the pay ranges for non-represented job families, effective July 1, 2002, as follows: Executive, 4.5%; Business Operations, 4.2%; Engineering and Construction, 4.1%; Information Technology, 4.6%; Line Operations and Safety, 3.6%; and Police and Security, 6.1%;

BE IT FURTHER RESOLVED that the Board of Directors approves the carry over of \$200,000 in budgeted funds from fiscal 2002 to fiscal 2003 for the purpose of completing an information technology disaster recovery study and development of a disaster recovery plan;

BE IT FINALLY RESOLVED that this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency.

---

Cheryl C. Burke, General Counsel

Motion by Mrs. Mack, seconded by Mr. Graham, and unanimously approved.

Ayes: 6 - Mr. Zimmerman, Mr. Graham, Mr. Barnett, Mr. Kauffman, Mrs. Mack and Mr. Trotter



# Policy on Reserve Balance for Claims

*Presented to the Board of Directors:*

**Finance, Administration and Oversight  
Committee**

April 12, 2007

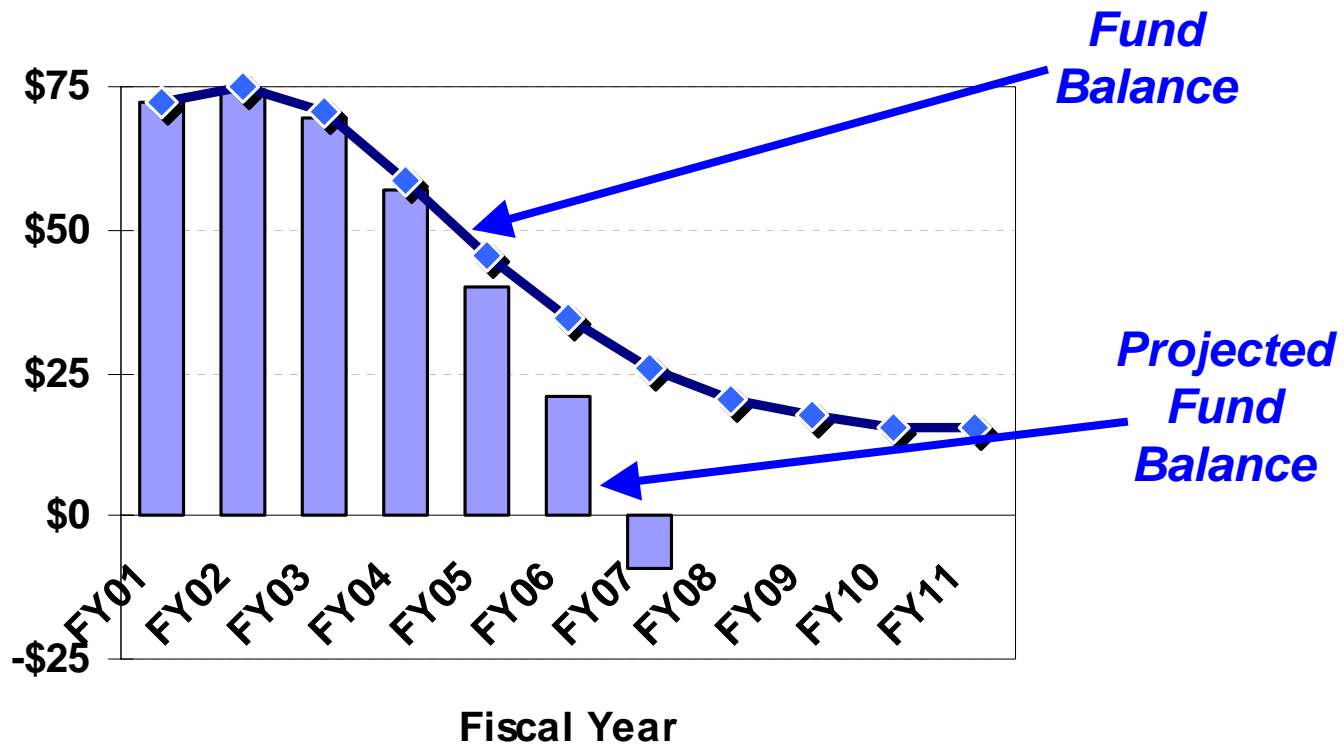




# Policy on Reserve Balance for Claims

## Reserve Drawdown Occurred Faster Than Planned

- Claims Inflation Due to Aging Workforce, Wage Increases, Higher Cost of Medical Care
- Unpredicted Number of Large Claims





## Policy on Reserve Balance for Claims

---

### **FY08 Budget Impact:**

- **Proposed Budget Includes \$29.3 million**
- **Budget Increase of \$12.7 million**
- **Requires Policy Change to 20% Level  
(Scheduled Over 2-3 years)**
- **Recent Losses May Adversely Affect Upcoming  
Actuarial Report**





# Policy on Reserve Balance for Claims

---

## Staff Recommendation

**Change Board policy on funding this reserve as follows:**

*Annually budget reserve contributions at a level sufficient to maintain reserve balance equal to 20% of the next year's actuarial estimate (over the course of 2-3 years)*

**To be Adopted as Part of the Resolution Approving the FY2008 Budget**