

**MINUTES  
BOARD BUDGET COMMITTEE  
March 10, 2005**

Mrs. Mack called the meeting to order at 9:20 A.M. Present were:

Committee Members

Mrs. Gladys W. Mack  
Mr. Dana Kauffman  
Mr. Christopher Zimmerman  
Mr. Charles Deegan  
Mr. Robert J. Smith  
Mr. Jim Graham  
Mr. Marcell Solomon

Other Board Members

Minutes from February 10, 2005

The Committee directed that the February minutes reflect its desire for a review of the budget to be conducted by the JCC, supported by WMATA staff. Approval of the minutes was deferred to the next meeting, pending that change.

**I. Information Items:**

**A. Monthly Financial Report – January 2005**

The January subsidy was \$1.7M unfavorable to budget for the month and \$11.7M favorable YTD. Revenues were favorable by \$2.4M for the month and \$11.1M YTD. Expenses were \$4.1M unfavorable in January and essentially on budget YTD. Both passenger and non-passenger revenues continue to exceed budget, and lighter than anticipated ADA volumes and expense continued. However, total expenses were unfavorable for the month, partially due to a one-time retroactive payment associated with the Local 689 labor contract settlement.

**B. FY06 Operating Budget Expense Review**

The Committee received a detailed presentation on FY06 expenses by account and mode, with explanations of changes categorized as inflation and cost growth associated current services, annualization of new services in FY05 and FY06 new services, and new programs for FY06. Staff suggested a \$1.7M reduction in the proposed FY06 expenses to reflect Board actions since the December presentation, recent trends and new information. Staff also noted that the FY06 assumptions for diesel fuel costs were uncertain and could change substantially (the proposed FY06 budget assumes \$1.40/gallon, versus a current cost of \$1.68.)

The Committee asked for an explanation of the pay for performance program and asked how it had been applied in the past. Staff responded that for non-rep employees, pay increases are based on their annual performance reviews, and that the amount budgeted represents the total increase received (no additional COLAs, merit, or steps.) Staff indicated that the FY05 increase of 1.5% was too small to

provide a meaningful incentive, and therefore the increase was applied across the board, except for persons who received an unsatisfactory rating. However, staff believe that the proposed 2% increase for FY06 would allow performance-based increases. The Committee requested a report on the statistical distribution of actual pay increases in FY06 after they are completed.

**C. FY06 Operating Budget Revenue Review**

Staff reviewed the revenue budget and current trends. Increases in parking fee, advertising, and fiber optics revenues had already been built into the proposal. Staff suggested further increases in parking fees and interest offset by lower fiber optics revenue, based on FY05 performance. Bus revenue appeared to be on target, but strong rail revenue performance in FY05 suggested an additional increase of \$8M in FY06 passenger revenues.

**D. FY06/07 Operating Budget Proposal Summary**

Staff updated the budget proposal to include the changes discussed above. In the aggregate staff proposed an FY06 operating budget totaling \$578.5M in revenue, \$1,012.9M in expense, and \$32.2M in subsidy. If a proposal to increase both revenues and costs to provide service to Nationals baseball games is approved by the Budget Committee, the costs and revenues would increase by \$2.5M each, but subsidies would be unaffected. The new proposal represents a \$32.2M, or 8%, increase in subsidy compared to FY05, and a \$9.5M subsidy reduction compared to the initial proposal presented in December. This reduces the increase in subsidy from FY05 to FY06 from 10.4% to 8%.

The Committee reiterated its desire to have the JCC conduct a more intensive review of the proposed budget. Mrs. Mack moved that the JCC conduct a review the FY06 budget, with the full cooperation of Authority staff, reporting the results of the review to the Committee at its May meeting. Mr. Kauffman seconded. The motion passed unanimously.

The Committee also instructed staff to include a provision in the FY06 budget approval to perform rolling zero-based budget reviews of specified areas, to begin in the FY07 budget development process.

Mr. Smith moved that the budget be sent to the Jurisdictions for comment. Jurisdictional comments are due in time for presentation to the Budget Committee at the June meeting. Mr. Kauffman seconded. The motion passed unanimously.

**II. Action Items:**

**A. CIP Review Including Approval of Metro Matters FY06 Annual Work Plan**

Staff reviewed the FY06-11 CIP budget and the FY06 Metro Matters annual work plan. The proposed FY06 CIP totals \$519.7M, including the \$512.2M Metro Matters Annual element. The FY06-11 program totals \$3,275.7M. The FY06 element of Metro Matters is identical to the item included in the overall Metro Matters agreement as it was signed except that there is a net increase of \$5.5M in Federal funding. The proposed version of the FY 06 work plan was previously sent to the jurisdictions for comment. Comments have been received and accepted. No

revisions to the plan were necessary. Mrs. Mack requested additional detail on the project development projects by jurisdiction. Staff requested the Committee to forward the Metro matters annual work plan to the Board for approval and requested the Committee to authorize sending the CIP to the jurisdictions for review. Mr. Zimmerman moved staff's request, Mr. Smith seconded, and the motion passed unanimously.

**B. Proposal for Market Based Pricing for Parking at Morgan and Largo Stations**

Staff requested approval hold a public hearing on a proposal to charge non-rail riders market rates (\$25 per day) at stations adjacent to Fed Ex Field for Redskins games and major events. Metrorail riders would continue to pay the normal fee (free on weekends.) The higher fee would be applied to those who do not show a rail trip on their SmartTrip cards. Mr. Deegan moved staff's recommendation. Mr. Zimmerman seconded. The motion passed unanimously.

**C. FY05 Budget Amendment for Washington Nationals Service Plan**

Staff requested an FY05 operating budget amendment to increase the FY05 revenues by \$1.2M and expenses by \$1.2M to expand service for baseball games at RFK stadium. This action would also result in an increase of \$2.5M in both expenses and revenues in the FY06 budget. Staff anticipates that incremental revenues will cover incremental costs, and assumed that 40% of the crowd would use Metro. Service would be adjusted based on anticipated crowd size. The Committee discussed the impact on the system of games which last beyond the closing of the Metrorail system and indicated the need to review the policy for charging to continue service under those circumstances. Mr. Smith questioned the necessity of adding this to the budget and asked for details on the maintenance positions associated with this service prior to full Board consideration. Mrs. Mack moved staff's recommendation. Mr. Zimmerman seconded. The motion passed unanimously.

**D. Railcar Capacity Concepts Program**

The Planning and Development Committee referred to the Budget Committee a request to authorize the use of \$260K in FY04 IRP funding to fund phase one of a study of the impact of different rail car seating configurations on boarding times and capacity. Phase one of the project would also involve purchasing the camera systems to establish the base line. Phase two of the program would require the reconfiguration of the seats on two trains and the comparison of patron behavior against baseline. On a parallel basis, staff will be bringing forward other concepts to optimize system throughputs, so that all of these concepts can be tested out at the same time. Noting that the funding source was a surprise to the Committee, staff was directed to report back to the Budget Committee on the overall status of potentially available capital or operating budget funds. Mr. Graham questioned the value of doing phase one of the study without committing to phase 2, and suggested that the cost estimate for phase 2 appeared to be too low. Several other members expressed the belief that the information on passenger behavior obtained in phase one was an important first step. Mr. Zimmerman requested additional information on the number of seats in each type of rail car. Mr. Zimmerman moved staff's recommendation. Mr. Kauffman seconded. The motion passed with all members approving with the exception of Mr. Graham, who voted no.

**E. Amend FY05 Budget to Establish a Technical Skills Training Program for DC High School Students**

Staff requested an amendment to the FY05 budget to include a DC reimbursable project for a training program at Cardozo High School. The program will serve 18 students in FY06 and 38 in FY2007. The program will provide foundation classes and training for students to enter WMATA's Technical Skills Program or other entry level technical fields. FY05 activity is to prepare the program. Anticipated expenses are \$32K in FY05, \$302K in FY06, and \$310K in FY07, fully reimbursed by the District of Columbia. Mrs. Mack moved staff's recommendation. Mr. Solomon seconded. The motion passed unanimously.

The meeting was adjourned at 12:50 PM.