



Finance & Administration Committee

Information Item IV-B

May 14, 2015

**FY2015 Third Quarter Operating and
Capital Budget Update**

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

Action Information

MEAD Number:
201509

Resolution:
 Yes No

TITLE:

FY2015 Q3 Operating and Capital Budget Update

PRESENTATION SUMMARY:

Present FY2015 third quarter operating and capital budget results.

PURPOSE:

To inform the Finance & Administration Committee on ridership, revenue, and operating expenses through the third quarter of FY2015, as well as the status, delivery rates and success of the Capital Program during the same period.

DESCRIPTION:

Key Highlights:

Through March, Metro's FY2015 operating budget has a negative net position of \$7 million resulting from a \$39 million negative variance in revenue largely offset by a \$32 million positive variance in expenditures.

- Operating revenues are below budget primarily in the area of rail passenger fares, which are \$34 million or approximately seven percent below budget as a result of a number of factors, including the lower federal transit benefit and reduced federal employment (both direct and contractor) in the Washington region.
- Operating expenses are under budget primarily as a result of savings in Services of \$18 million and \$12 million in Fuel, Power and Utilities.
- As a result of the operating expense reductions instituted by the GM/CEO at the beginning of the year and other actions taken during the year and during the upcoming fourth quarter to reduce operating expenses, Metro still expects to finish the fiscal year with sufficient operating surplus to repay the FY2014 deficit.
- Through the third quarter, Metro has invested \$442 million of the \$1.0 billion FY2015 capital budget.

Background and History:

Metro's \$1.8 billion FY2015 operating budget provides for the personnel, materials and supplies, fuel and propulsion power, and services to operate Metrobus, Metrorail, and MetroAccess. Metro is also investing in the largest and most aggressive capital program since its construction. Metro is being rebuilt over the next six years to provide safer and more reliable service. Between FY2015 and FY2020, a total capital investment of

approximately \$6 billion is planned.

Discussion:

Operating Budget Summary

Through the third quarter of FY2015, Metro had a negative net operating position of \$7.2 million. Total annual operating expenses through December were \$1.287 billion, \$31.5 million below budget, while total annual operating revenues were \$657.9 million, \$38.8 million below budget. A pending transfer of rail preventive maintenance expenses to the CIP is expected to offset the unfavorability before year end.

Ridership and Revenue

Year-to-date revenue is below budget in passenger fares (Metrorail and Metrobus) and in parking fees. This below budget performance has been slightly offset by growth in MetroAccess fare revenue and by non-passenger revenues, including a one-time revenue recognition of \$4.1 million related to the closure of the Southeastern bus garage in FY2008. Revenue results track with the overall ridership performance. Total passenger fares and parking fees were \$617.4 million in the first three quarters – an increase of \$32 million or six percent over the same period last year, but \$41.9 million below budget, primarily as a result of below-budget rail ridership. Non-transit revenues are above budget by \$3.1 or eight percent.

Total transit ridership in the first nine months of FY2015 on all modes was 251.6 million trips, an increase of 2.3 million or 0.9 percent over the same period last year. However, this is 17.1 million or 6.4 percent below total budgeted trips.

Metrorail ridership through the third quarter was 151.3 million, an increase of 3.1 million over the same nine-month period in FY2014, but a negative variance of 12.2 million compared to budget. The general trend of lower average weekday rail ridership has continued, with fewer days reaching a ridership total of 750,000 or more, and more days falling below 700,000. This ridership drop-off is due in part to the reduction in the federal transit benefit, as well as reduced overall employment and economic growth in the region. Lower gasoline prices in the last two quarters may also be having an impact at the margin, especially for riders making longer commute trips and those who park-and-ride (a group which overlaps substantially with the riders most impacted by the federal transit subsidy reduction). Ridership at Silver Line stations has plateaued, mirroring results in the rest of the system, and ridership at the western end of the Orange Line has fallen as riders have shifted to the Silver Line.

Metrobus ridership was 98.6 million through the first nine months, down marginally compared to the same period in FY2014, but down 5 million compared to budget. Despite continued growth on the K9 route (two years of 50% annual growth) and the X2, among others, Metrobus ridership struggled to overcome poor weather in the third quarter. MetroAccess ridership was 1.165 million, an increase of 96,000 over last year and 78,000 over budget. Utilization of the DC taxi pilot program continues to ramp up, with trips carried exceeding 2,000 in March 2015.

Operating Expenses

Third quarter FY2015 operating expenditures totaled \$414.9 million, which was \$17.7

million or 4.0 percent lower than the second quarter budget. Third quarter FY2015 expenditures were 0.7 percent higher than second quarter FY2014 operating expenditures. Through March, year-to-date operating expenses are favorable to budget by \$31.5 million or 2.4 percent. Actual year-to-date expenses are \$1.28 billion, \$67.0 million or 5.5 percent higher than the same period last year.

Labor

March personnel expenses of \$97.6 million were under budget by \$9.2 million or 8.6 percent. For the year-to-date, personnel expenses are under budget by \$12.9 million or 1.4 percent. As a result of the recently negotiated Collective Bargaining Agreement, salaries and wages for Local 2 union employees have increased by 1.5 percent. The agreement included retroactive payments, and a \$4.1 million total payout was made in December.

Year-to-date overtime expenses of \$56.3 million are slightly over budget by -0.4 percent and are \$4 million less than the same period last year. Year-to-date overtime expense versus budget improved from September through February, by which time cumulative overtime expense was below budget. However March overtime was unfavorable and resulted in year-to-date overtime expense marginally above budget.

The primary contributors to overtime were in Rail, Bus Services and Transit Infrastructure and Engineering Services (TIES). Overtime expenses in Rail are mainly related to vacancy coverage, training coverage, vacation leave, equipment maintenance and special events at the Verizon center, FedEx Field, and Nationals Park and inclement weather coverage

Bus Services department overtime variance is mainly as a result of coverage for vacancies, absenteeism and leave. As staffing ramped up for the Silver Line, Bus vacancies have been backfilled to cover employee movements from Bus to Rail.

Year-to-date fringe benefits are \$3.4 million over budget due to unfavorable pension expense (\$2.0 million). Additionally unfavorable healthcare expenses contribute \$1.0 million to the variance.

Non-Labor

March non-personnel expenses of \$42.5 million were over budget by \$2.1 million. Year-to-date non-personnel expenses of \$344.4 million are under budget by \$18.5 million. Fuel, Power and Utilities were under budget by \$12.4 million (over budget by \$1.0 million in March) year-to-date mainly due to hedging practices and lower-than-projected rate and volume consumption.

Commodity hedging instruments are utilized to give WMATA increased budget stability for consumed commodities (such as diesel fuel) that represent a significant portion of the Authority's operating expenses. WMATA does not enter into these agreements for speculative purposes. March year-to-date favorability was mainly due to \$2.4 million in savings from lower-than-budgeted rates for diesel, propulsion and utilities resulting from favorable hedges and fixed price contracts, \$3.3 million related to lower-than-budgeted consumption in mainly propulsion, electricity and natural gas, a CNG tax credit, and savings on lubricants and other items. The year-to-date rate, volume mix analysis below reflects volume favorability for propulsion, electricity, diesel, Bus CNG and gasoline and

rate favorability for natural gas. Utility favorability is mainly attributable to savings in propulsion volume.

Services were favorable to budget by \$0.7 million in March, and year to date Services are favorable to budget by \$18.1 million. Highlights in this area include favorability due to the timing of expenditures on service contracts and favorability due to consulting services savings and lower SmarTrip expenses, RSMA contract negotiations and timing of invoice payments.

March Materials & Supplies expenses of \$9.7 million exceeded budget by \$2.1 million due to parts utilized in the repair and maintenance projects undertaken in CMNT. Year-to-date Materials and Supplies are over budget by \$13.0 million, also driven by an overrun in parts utilized in repair and maintenance projects undertaken in CMNT. Some capital costs, like those attributed to CIP0063 - Railcar Rehabilitation, are currently included in operating expenses and will be transferred pending determination of the appropriate accounting treatment, thereby reducing operating expenses by year end. In addition, BUS is unfavorable due to pending capital transfers for HOMT, 820 accidents, and vandalism costs.

Capital Budget Summary

Metro has successfully delivered \$442 million of CIP investment year-to-date during FY2015, or approximately forty percent of the capital budget. Metro has invested \$4 billion through the CIP since the beginning of the major rebuilding effort that started in FY2011.

During FY2015, Metro is focusing on the successful delivery of key planned CIP investments that will advance the safety and reliability of the system. Projects progressing this year include: NTSB recommended safety projects, including the replacement of track circuits, the replacement of power cables, bus rehabilitation, continued production of 7000 series railcars, MetroAccess vehicle replacement, track and structures rehabilitation projects, and new electronic payment program.

Significant capital program accomplishments from the third quarter include:

Bus Acquisition - The FY2015 new bus order includes 80 forty-foot and 21 sixty-foot hybrid/electric buses that will replace buses at the end of their useful life and expand bus services. As of the end of the third quarter, 101 buses have been received.

Access Vehicle Replacement – MetroAccess has a contract to deliver 150 paratransit vans. As of the end of the third quarter, 55 vans have been received.

Escalator and Elevator Rehabilitation and Replacement – Eleven of the 15 planned elevator rehabilitations are completed and five are in progress, including Federal Triangle (2), National Airport, Potomac Avenue, Dunn Loring, Addison Road, Friendship Heights, Arlington Cemetery, Franconia-Springfield, Shady Grove, and Federal Center. Twenty of the 29 escalator rehabilitations are complete, and the McPherson Square (5), L'Enfant Plaza (6), Stadium Armory (2), Capitol South, National Airport (2), Crystal City (2), Capitol South, Farragut West, Smithsonian, and Foggy Bottom escalators are rehabilitated and back in service. Eight escalator rehabilitations are also in progress. Seven of the 12 planned escalator replacements -- Glenmont (2), Georgia Avenue (2), Bethesda, Columbia Heights, and Friendship Heights -- are complete and five are in

progress.

Track Rehabilitation - Through the third quarter, Metro welded 794 open weld joints, rehabilitated 3,651 linear feet of grout pads, tamped 30 miles of track, repaired 2,586 leaks, and replaced 10.28 miles of running rail, 8,111 cross ties, 23,423 fasteners, 14 switches, and 705 safety signs. The goal for floating slab rehabilitation has been reduced from 750 to 420. An engineering assessment will be conducted to determine the future floating slab locations.

FUNDING IMPACT:

Information item only, no funding impact.	
Project Manager:	Thomas J. Webster
Project Department/Office:	CFO/OMBS

TIMELINE:

Previous Actions	February 2015 - FY2015-Q2 Operating and Capital updated
Anticipated actions after presentation	July 1, 2015 - Beginning of FY2016 September 2015 - FY2015-Q4 Year-End Financial Summary

RECOMMENDATION:

No action required - information item only.



Washington Metropolitan Area Transit Authority

FY2015 Third Quarter Operating and Capital Budget Update

Finance & Administration Committee
May 14, 2015



Ridership and Revenue Up Over Last Year

- Total transit ridership for first nine months up 0.9 percent (2.3 million trips)
- Passenger fares and parking fees up \$32 million
- Ridership not achieving budget projections





FY2015 Third Quarter Operating Budget Results

YTD	FY2014	FY2015		Variance FY15	
	Actual	Actual	Budget	\$	Percent
Revenue	\$ 625.7	\$ 657.9	\$ 696.6	\$ (38.8)	-5.6%
Expense	\$ 1,224.8	\$ 1,286.7	\$ 1,318.2	\$ 31.5	2.4%
Subsidy	\$ 599.0	\$ 628.8	\$ 621.6	\$ (7.2)	-1.2%
Cost Recovery	51.1%	51.1%	52.8%		

Note: Transfers of certain eligible expenses from operating to capital were in process as of 3/31/15 and are not reflected above. When these transfers are completed, total operating expenses will be reduced by approximately \$24 million and the effective net subsidy position will improve to positive \$17 million.



FY2015 Third Quarter Revenue and Ridership

FY2015 Ridership and Revenue Through Q3

Mode	Measure	Budget	Actual	Variance
Rail	Ridership	163 million	151 million	
	Revenue	\$493 million	\$458 million	
Bus	Ridership	104 million	99 million	
	Revenue	\$116 million	\$109 million	
Access	Ridership	1.57 million	1.65 million	
	Revenue	\$6.0 million	\$6.8 million	
Parking	Revenue	\$36 million	\$35 million	
Non-Passenger *	Revenue	\$37 million	\$40 million	

* includes advertising, fiber optics, leases, etc.



FY2015 Third Quarter Operating Expenses

FY2015 Q3 Operating Expenses

Expense Category		Budget	Actual	Variance
Labor	Salaries and Wages	\$647 million	\$631 million	↓
	Fringe Benefits	\$308 million	\$312 million	↑
Non-Labor	Fuel, Propulsion and Utilities	\$112 million	\$99 million	↓
	Services	\$157 million	\$138 million	↓
	Materials and Supplies	\$66 million	\$79 million	↑
	Insurance and Other	\$29 million	\$28 million	↔
Total Operating Expenses		\$1,318 million	\$1,287 million	↓



Outlook – Operating Forecast

- Ridership continues to track last year but fall short of budget
 - FY2016 budget updated to reflect lower projection
- GM commitment to reduce expenses and other actions taken will generate sufficient year-end surplus to repay FY2014 deficit



Capital Program Investments to Date

(as of March 31, 2015)

FY2015 Performance: CIP Projects

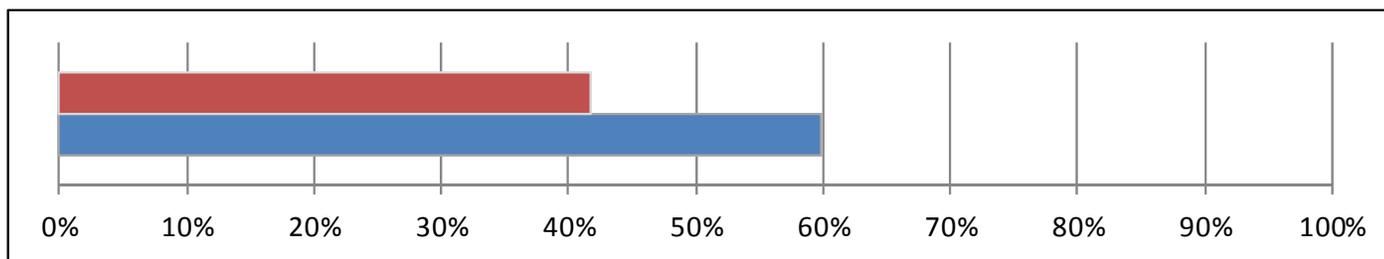
Capital Program Group	FY2015 Approved Budget	FY2015 Expend.		FY2015 Remaining		0% 20% 40% 60% 80% 100%					
		Dollars	% of Bud.	Dollars	% of Bud.	■ Actual Expenditures □ Remaining Forecast					
A. Vehicles/Vehicle Parts	\$ 342.1	\$ 114.9	34%	\$ 227.1	66%						
B. Rail System Infrastructure Rehab	\$ 67.5	\$ 48.8	72%	\$ 18.7	28%						
C. Maintenance Facilities	\$ 198.8	\$ 59.4	30%	\$ 139.4	70%						
D. Systems and Technology	\$ 183.1	\$ 63.0	34%	\$ 120.1	66%						
E. Track and Structures	\$ 69.7	\$ 39.9	57%	\$ 29.8	43%						
F. Passenger Facilities	\$ 136.2	\$ 55.8	41%	\$ 80.4	59%						
G. Maintenance Equipment	\$ 67.3	\$ 40.4	60%	\$ 26.9	40%						
H. Other Facilities	\$ 33.6	\$ 16.7	50%	\$ 16.9	50%						
I. Program Mgmt. / Credit Facility	\$ 3.8	\$ 2.5	68%	\$ 1.2	32%						
CIP Total:	\$ 1,102.1	\$ 441.6	40%	\$ 660.5	60%						



Vehicles and Vehicles Parts

Bus and MetroAccess

Expenses
Deliverables



FY2015 Major Deliverables

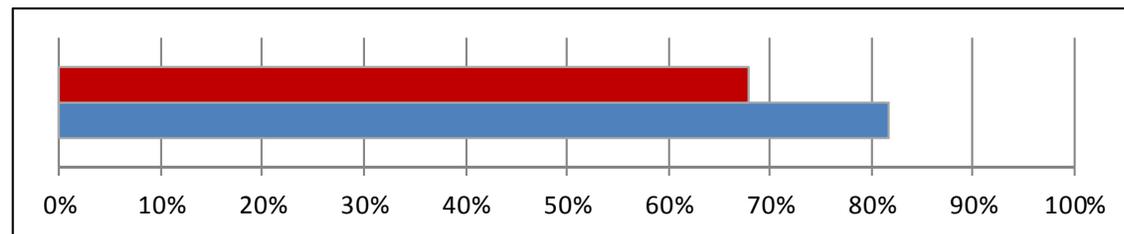
Program		FY2015 Planned	FY2015Q3 Actual	Status
Bus Rehabilitation	CIP0005 # Buses rehabilitated	100	54	
Bus Replacement	CIP0006 # Buses delivered	81	81	
Bus Expansion	CIP0003 # Buses delivered	20	20	
MetroAccess Fleet	CIP0015 # Vehicles delivered	150	55	



Track and Structures

Track and Structures

Expenses
Deliverables



FY2015 Major Deliverables

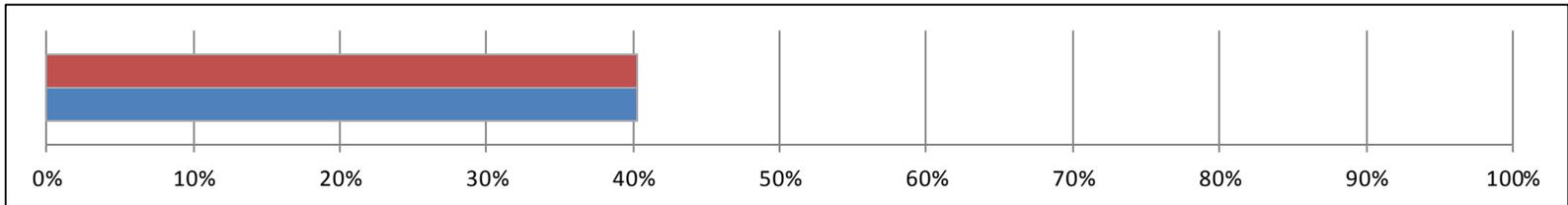
Program		FY2015 Planned	FY2015Q3 Actual	Status
Welding Program	CIP0018 # joints welded	1,200	794	On Track
Floating Slab Rehab	CIP0019 linear ft.	750	420	At Risk
Rail Signage Replacement	CIP0020 # signs replaced	1,500	705	On Track
Pad/Shock Absorber Rehab	CIP0021 linear ft.	8,000	3,651	On Track
Track Rehab	CIP0024 # miles of track tamped	33	30	On Track
	miles of running rail	10	10.28	On Track
	# direct fixation fasteners	20,000	23,423	On Track
	# cross ties	15,000	8,111	On Track
	# switches	8	14	On Track
Leak Mitigation	CIP0026 # leaks fixed	2,150	2,586	On Track



Maintenance and Other Facilities

Bus Garages and Other Facility

Expenses
Deliverables



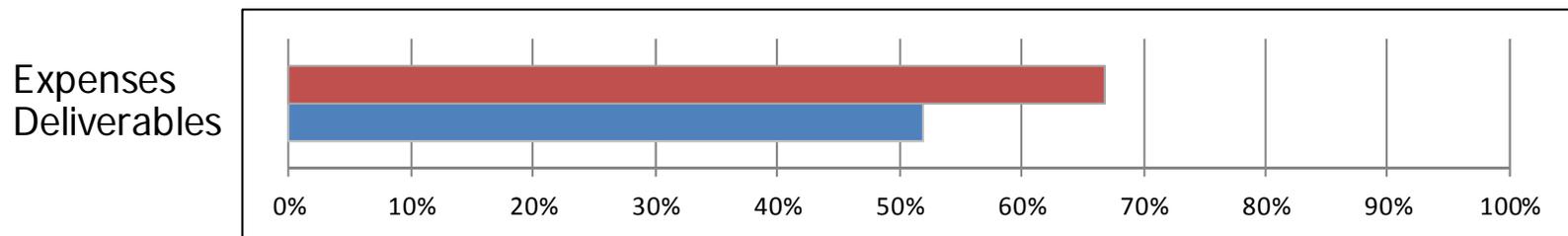
FY2015 Major Deliverables

Program	Annual Goal	FY2015 Estimate % Complete	FY2015Q3 % Complete	Status
Royal Street Bus Garage	CIP0085 Advancing site construction	25%	5%	Red
Southern Avenue Bus Garage Replacement	CIP0084 Preparing final design. Working through permit process.	50%	40%	Red
Test Track & Commissioning Facility	CIP0071 Complete contract, work on punch list	95%	60%	Green
District 2 Police Station	CIP0101 Contract Close-out	95%	78%	Green
Special Operations Facility	CIP0106 Complete Punch List	95%	75%	Green



Maintenance Equipment

NTSB Requirements



FY2015 Major Deliverables

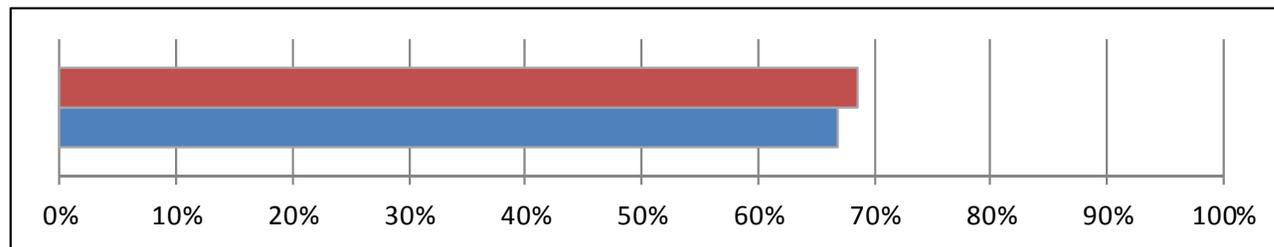
Program			FY2015 Planned	FY2015Q3 Actual	Status
Replace Power Cables	CIP0139-P6	linear ft.	20,000	8,092	Red
Replace GRS Track Circuits	CIP0139-06	# of Modules	144	92	Green
		# of Bonds	225	116	Yellow



Passenger Facilities

Elevators and Escalators

Expenses
Deliverables



FY2015 Major Deliverables

Program		FY2015 Planned	FY2015Q3 Actual	Status
Elevator Rehabilitation	CIP0072 # Elevator rehabilitated	15	11	On Track
Escalator Rehabilitation	CIP0073 # Escalator rehabilitated	29	20	On Track
Escalator Replacement	CIP0185 # Escalator Replaced	12	7	On Track



Next Steps

September 2015

- FY2015 Fourth Quarter Financial Report and Capital Progress Update