

**MINUTES
BOARD BUDGET COMMITTEE
May 12, 2005**

Mrs. Mack called the meeting to order at 9:15 A.M. Present were:

Committee Members

Mrs. Gladys W. Mack
Mr. Dana Kauffman
Mr. Christopher Zimmerman
Mr. Charles Deegan
Mr. Robert J. Smith
Mr. Marcell Solomon
Mr. William D. Euille

Other Board Members

Mr. Gordon Linton

Minutes from February 10 and March 10, 2005

Mr. Kauffman moved approval of both sets of minutes; Mr. Smith seconded. Both sets were approved without change.

I. Information Items:

A. Monthly Financial Report – February and March 2005

Staff indicated that the February results followed previous trends and were not discussed in detail. The March financials reflected a substantial negative variance for the month of \$5M. Monthly revenues were favorable to budget by \$3.3M, but expenses were over budget by \$8.4M yielding an unfavorable subsidy of \$5.1M. YTD March subsidy results were still positive by \$8M due to strong revenue performance throughout the year. Staff indicated that YTD labor expenses were over budget by \$16M, mostly due to costs which should not impact the FY06 budget. The YTD overruns in labor reflect the recent labor settlement; maintenance staff charging operations to improve system reliability instead of conducting budgeted IRP rehabilitation; and overtime associated with security requirements, customer service for special events as well as responding to emergencies/accidents earlier in the year.

B. FY06 Operating Budget Expense Review

The Committee received a review of the proposed FY06 Operating Budget by the JCC staff. The JCC endorsed the FY06 proposal with no change, but recommended continued review of several areas of risk and/or opportunity. They indicated that the current fuel budget was \$8M too low based on current diesel fuel prices. The JCC suggested that the Board and staff consider executing a diesel fuel swap to limit budget exposure. Mr. Zimmerman requested that staff develop a recommendation on whether to execute a swap. The JCC highlighted the ADA contract as a potential risk, and any delay in deployment of the 6000 series cars as a potential expense savings. The JCC

also suggested examining budgetarily the link between fares and service levels provided and recommended a more formal ridership and revenue projection modeling. The status of the new bus farebox data availability was discussed and Mr. White promised a complete report on that matter in the summer. Mrs. Mack indicated her desire to establish longer term budget planning and projections. Mr. Linton suggested a stronger link between goals and outcomes, and highlighted the difficulty of providing effective performance incentives in the transit industry. The JCC also reviewed the budget development process and suggested that if zero based budgeting or a similar mechanism were undertaken, it be focused on a part of the organization, and recommended customer service for possible review in the FY07 budget development. They also suggested greater use of productivity measures and best practices in budget formulation, earlier establishment of budget guidance, and expanded participation by the jurisdictions in budget development and review.

II. Action Items:

A. Amend FY05 Operating Budget to Initiate and Award Contract for Managing Metro Emergencies Training and to Ratify Sub-Grant Agreement with D.C

Staff requested approval to increase the revenues and expenses in the FY05 operating budget by \$67.5K and to adjust revenues and expenses in the FY06 budget by \$267.8K to provide training to local law enforcement agencies, fire and rescue personnel, departments of transportation and WMATA staff to respond effectively to emergency situations involving evacuation, disruption of service, or similar situations. Authority was requested to award a sole source contract to American Traffic Safety Services Association to conduct the training. All costs are covered by an Urban Area Security Initiative sub-grant, and the Board was requested to ratify the sub-grant agreement with the District of Columbia. Mr. Kaufman moved staff's request, Mr. Zimmerman seconded, and the motion passed unanimously.

B. Amend FY05 SAP to Increase Budget for Huntington Garage and Approve Use of Surcharge Funds

This item was referred to the Budget Committee by the Real Estate Committee. Staff requested approval to increase the 2005 SAP Budget by \$6M for additional costs associated with construction of the Huntington parking structure. The increase in funds is required to accommodate poor soil conditions, traffic patterns, and site topography. The additional expense is to be funded by available Fairfax surcharge funds (\$1.5M), a portion the Fairfax share of TIIF (\$3.0M), and excess funds from the West Falls Church parking garage project (\$1.5M). This action is contingent upon approval by the Fairfax County Board of Supervisors. Mr. Kauffman moved staff's request, Mr. Smith seconded, and the motion passed unanimously.

C. Amend FY05 SAP to Increase Budget for White Flint Parking Garage.

This item was referred to the Budget Committee by the Real Estate Committee. Staff requested approval to increase the 2005 SAP budget by \$850K. The funds are needed to cover a cost overrun in the award of the garage construction contract. The Real Estate Committee approved the use of TIIF funds to cover the cost of the increase. Mr. Smith moved staff's request, Mr. Kauffman seconded, and the motion passed unanimously.

D. Approve 12 Line Centreville to Vienna Restructuring Plan

Staff requested approval to restructure/improve service on non-regional routes 12A,C,E,F,G,L,M,R,S - Centreville to Vienna lines. The proposed change will require 3 additional buses, 4 bus operators, and 1 mechanic. The additional annual cost of \$413K, revenues \$20K and subsidy of \$393K will be borne by Fairfax county since the route is non-regional. The Fairfax County Board of Supervisors has not yet approved this change, so the Budget Committee action will not be taken to the Board until that approval is obtained. Mr. Kaufman moved staff's request, Mr. Zimmerman seconded, and the motion passed unanimously.

E. Modify Contract to Include Value Capture Study

This action was referred to the Budget Committee by the Planning and Development Committee. Staff requested approval to increase a professional and technical services contract with PB Consult by \$300K to study the application of access fees levied on commercial space around Metro stations and the impact of station improvements on ridership. The program will be funded from the FY05 Operating Budget PLSP Direct Office Services line item. These funds were to be used for business systems integration planning, which is now funded in the FY06 Project Development Program. Mr. Kauffman moved staff's request, Mr. Zimmerman seconded, and the motion passed unanimously.

F. Exercise Option Year for Labor Legal Consultant Contract

Staff requested approval to exercise option year four of the current Labor Legal Consultant Services Contract with Venable Baetjer & Howard. The contractor supplies specialized services associated with negotiation and administration of collective bargaining agreements. This is the final year of the contract. The cost of \$350K is included in FY06 Proposed Budget. Mr. Smith moved staff's request, Mr. Kaufman seconded, and the motion passed unanimously.

Move approval

The meeting was adjourned at 11:15 PM.