



Finance & Administration Committee

Action Item III-E

July 10, 2014

FY2014 Capital Budget Reprogramming

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

Action Information

MEAD Number:
200915

Resolution:
 Yes No

TITLE:

FY14 Capital Budget Reprogramming

PRESENTATION SUMMARY:

GM/CEO is seeking Board approval for an additional \$50 million in FY2014 capital budget reprogramming authority.

PURPOSE:

Request additional \$50 million in GM/CEO reprogramming authority for FY2014 to move budget authority between existing capital projects.

DESCRIPTION:

Key Highlights:

- Request for additional \$50 million in reprogramming authority will shift FY2014 budget authority out of projects that are behind on expenditures relative to plan and into projects that are ahead on expenditures.
- \$7.4 million remaining authority for FY2014 not sufficient to accommodate expected budget changes.

Background and History:

Metro's annual capital budget and six year Capital Improvement Program are prepared based on a number of factors, including, but not limited to, the planned scope, schedule, and cash flow forecast of projects, the availability of funding sources, and a prioritization of Metro's capital improvement needs. While significant effort is undertaken to develop the scope of each project and to ensure that cost estimates and schedules are reasonable, there are circumstances in which mid-year changes to project budgets are necessary.

Many of Metro's capital projects are complex and have critical schedule dependencies and factors outside of Metro's control that can have impacts on project schedules and costs. During the course of the year Metro also identifies opportunities to accelerate work ahead of the original project budget plan.

Recognizing that there are circumstances in which mid-year changes will be necessary, the Capital Funding Agreement among WMATA and the funding jurisdictions authorizes WMATA to reprogram budget authority between projects outside of the annual budget

process. Board Resolution 2011-30 grants the GM/CEO the authority to reprogram up to five percent (cumulative) of the approved capital budget.

The FY2014 Capital Improvement Program budget totals \$996 million, so the GM/CEO's current reprogramming authority is \$49.8 million. In accordance with the Board resolution, the GM/CEO must seek Board authorization to reprogram over that amount. Capital budget reprogramming actions are reported to the Board and the funding jurisdictions in quarterly financial reports.

As of June 30, 2014, the GM/CEO has utilized \$42.4 million of FY2014 reprogramming authority, as shown in the attached tables. These reprogramming actions shifted project budget authority from projects that are delayed or cost less than anticipated to projects that are ahead of schedule or with higher than expected costs. Most projects maintain their current total (six-year) project budget, and only the timing of expenditures will change (i.e., shift to earlier or later years in the plan).

Discussion:

Staff is seeking Board authorization of \$50 million of additional reprogramming authority (approximately an additional five percent of the total FY2014 capital budget) to accommodate project budget changes identified during the month of June and during the FY2014 year-end closeout process. The \$7.4 million of remaining reprogramming authority is not expected to be sufficient to accommodate project budget changes that are needed for FY2014.

Based on the information reviewed to date, staff has determined that it will be necessary to move budget between projects in FY2014 to ensure that there is sufficient budget available to make FY2014 payments. The proposed reprogramming will shift budget authority from projects that are delayed or cost less than anticipated to projects that are ahead of schedule or with higher than expected costs. Most projects will maintain their current total (six-year) project budget, and only the timing of expenditures will change (i.e., shift to earlier or later years in the plan).

Staff has identified several projects requiring additional budget authority in FY2014 due to accelerated work schedules and higher-than-planned expenditures including:

- Red Line Rehabilitation Phase 1 (CIP0107)
- Track rehabilitation (CIP0024)
- Elevator/escalator rehabilitation (CIP0072 and CIP0073)
- Station rehabilitation (CIP0087)

Staff has also identified a partial list of the delayed projects (and the reasons for the delays) from which budget authority can be shifted, including:

- Test track (CIP0071): contractor delays, including securing flagmen
- NEPP (CIP0097): procurement/start-up delays

- Bus replacement (CIP0006): slight delay in receiving vehicles from manufacturer (expected to be resolved early in FY2015)
- Rail yard facility repairs (CIP0116): delay in procurement process (now resolved)

The total FY2014 reprogramming need will be identified during the year-end review and closeout process. This request for additional authority includes a contingency to accommodate changes above those that are currently identified.

A comprehensive list of the required reprogramming actions is not yet available due in part to the volume of capital spending during the month of June and the detailed invoice review processes Metro has implemented as a result of the Federal Transit Administration's (FTA) restricted drawdown documentation requirements. Metro spends a significant portion of the annual capital budget in the month of June each year, primarily due to vehicle and equipment delivery schedules and the spring construction season. Staff is carefully reviewing contractor invoices to confirm that complete and accurate documentation is included and also to ensure that work completed is charged accurately in accordance with accounting principles and grant requirements.

If the reprogramming actions that will be accommodated by this requested authority are not completed, Metro will lack the budget authority in the correct projects to pay invoices and to seek federal reimbursement. Providing the reprogramming authority now will aid in the grant submission process and support WMATA's efforts to manage cashflow.

Staff will provide a comprehensive report on all FY2014 reprogramming actions as part of the year-end financial report to the Board.

FUNDING IMPACT:

The proposed reprogramming will shift existing budget authority between projects; therefore, the net funding impact on the capital budget is zero.	
Project Manager:	Thomas J. Webster
Project Department/Office:	CFO/OMBS

TIMELINE:

Previous Actions	<ul style="list-style-type: none"> • Most recent reprogramming action: \$6.4 million on June 20, 2014
Anticipated actions after presentation	<ul style="list-style-type: none"> • Finalize identification of project budget needs and reprogram as required (July-August 2014) • Submit summary report to Board on all reprogramming actions in FY2014 (September 2014)

RECOMMENDATION:

Approve additional \$50 million in GM/CEO capital reprogramming authority for FY2014.

MEAD 200915

Attachment: Summary of FY2014 Reprogramming Actions to Date

Reprogrammed From			
Project ID	Name	Dept.	Reprogramming
CIP0110	Orange/Blue Line Rehabilitation Stage One	CENI	-\$20,310,000
CIP0119	Bus Garage Facility Repairs	CENI	-7,200,000
CIP0116	Rail Yard Facility Repairs	CENI	-6,955,000
CIP0025	Track Maintenance Equipment	TRST	-2,000,000
CIP0198	Platform to Mezzanine Stairs - Bethesda Station	MCAP	-1,300,000
CIP0131	Credit Facility	TRES	-1,250,000
CIP0017	Station Platform Safety Improvement (Truncated Domes)	CENI	-1,085,000
CIP0047	Enterprise Geographic Information System	IT	-749,000
CIP0015	MetroAccess Fleet Replacement	ACCS	-565,000
CIP0046	Document Management System	IT	-544,000
CIP0060	4000 Series Rail Car Replacement	CENV	-405,000
Total			-\$42,363,000

Reprogrammed To			
Project ID	Name	Dept.	Reprogramming
CIP0145	Rail Yard Hardening and Bus Security	CENI	\$6,000,000
CIP0151	Station Cooling Program	CENI	5,410,000
CIP0185	Escalator Replacement	ELES	5,250,000
CIP0005	Bus Rehabilitation Program	BMNT	4,900,000
CIP0024	Track Rehabilitation	TRST	4,416,000
CIP0072	Elevator Rehabilitation	ELES	4,578,000
CIP0093	Integrating regional NEXTFARE System	TRES	2,740,000
CIP0073	Escalator Rehabilitation	ELES	2,112,000
CIP0080	Building Infrastructure & Systems Renewal	CENI	1,675,000
CIP0106	Special Operations Division Facility	MCAP	1,300,000
CIP0044	IT Capital Program Business Process Reengineering and Program Support	IT	1,293,000
CIP0023	Third Rail Rehabilitation and Replacement	TRST	1,184,000
CIP0108	Red Line Rehabilitation Stage Two	CENI	1,000,000
CIP0027	Switch Machine Rehabilitation Project	SMNT	240,000
CIP0045	Data Centers and Infrastructures	IT	115,000
CIP0128	Data Governance and Business Intelligence	IT	100,000
CIP0052	Network and Communications	IT	50,000
Total			\$42,363,000

FY2014 Approved CIP Budget	\$995,985,363
FY2014 GM/CEO Reprogramming Authorization	\$49,799,268
FY2014 Reprogramming Totals	<u>-42,363,000</u>
GM/CEO Remaining Reprogramming Authority Through June 20, 2014	\$7,436,268



Washington Metropolitan Area Transit Authority

FY2014 Capital Budget Reprogramming

Finance & Administration Committee

July 10, 2014



Purpose

- Request additional FY2014 reprogramming authority to move budget authority between existing capital projects





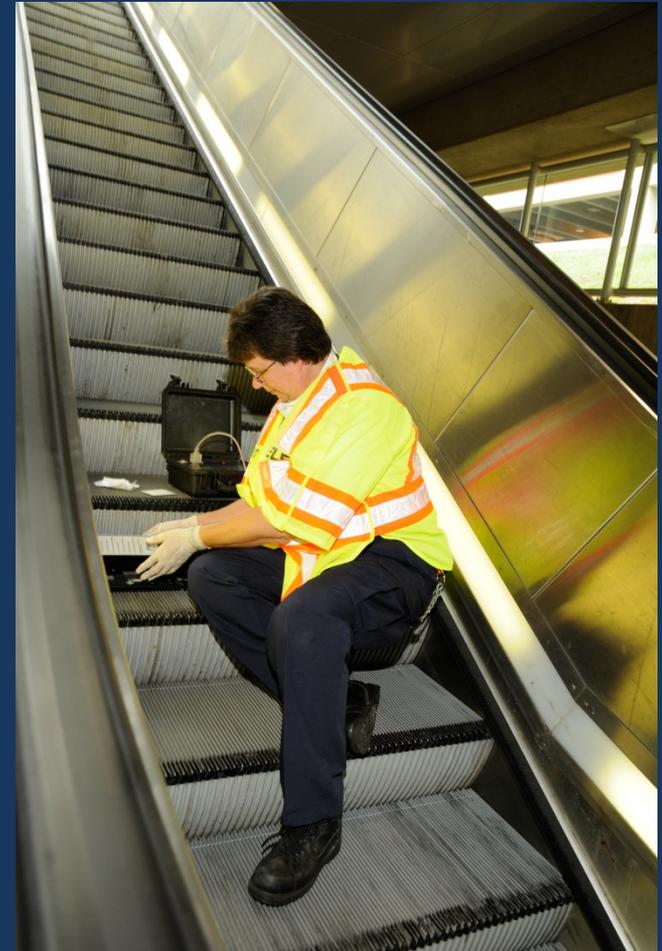
Background

- GM/CEO has authority to reprogram up to 5 percent of capital budget
 - \$49.8 million in FY2014 (5 percent of \$996 million)
 - Must seek Board authorization for any additional authority
- Reprogramming to date is \$42.4 million
- \$7.4 million remaining authority not sufficient to accommodate expected budget changes



Impact of Proposed Reprogramming

- FY2014 budget authority will shift:
 - *From* projects that are delayed or cost less than anticipated
 - *To* projects ahead of schedule or with higher than expected costs
- Most projects will maintain total project budget, only timing will change (shift earlier/later)





Delayed Projects

- Test Track: Contractor delays, including securing flagmen
- NEPP: Procurement/start-up delays
- Bus Replacement: Slight delay in receiving vehicles from manufacturer (expected to be resolved early in FY2015)
- Railyard Facility Repairs: Delay in procurement process (now resolved)



Projects Requiring Additional FY2014 Budget Authority

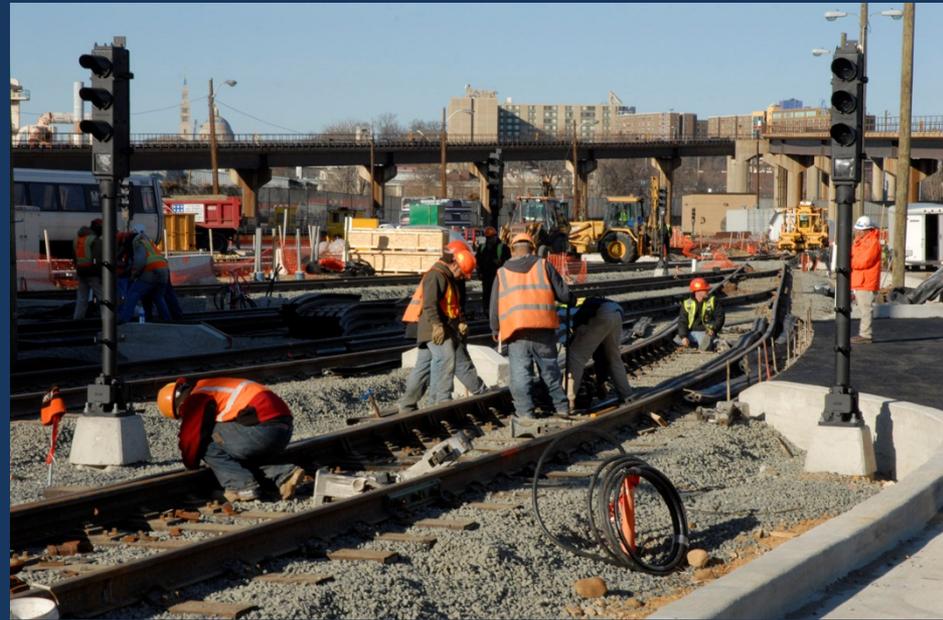
- Red Line Rehabilitation Phase 1
- Track Rehabilitation
- Elevator/Escalator Rehabilitation
- Station Rehabilitation
- Contingency

**Total estimated additional
reprogramming need: up to \$50 million**



Next Steps

- Finalize identification of project budget needs and reprogram as required
- Continue to process grants and seek federal reimbursement
- Report to Board on all reprogramming actions in FY2014





Recommendation

- Approve additional \$50 million in GM/CEO capital reprogramming authority for FY2014

SUBJECT: ADDITIONAL CAPITAL BUDGET REPROGRAMMING AUTHORITY FOR FISCAL YEAR 2014

RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WHEREAS, The Washington Metropolitan Area Transit Authority (WMATA) has identified certain capital projects that are ahead of schedule or have incurred higher than expected Fiscal Year (FY) 2014 expenses, as well as other capital projects that are delayed or have incurred lower than expected FY2014 expenses; and

WHEREAS, As a result, the FY2014 capital budget must be reprogrammed to shift budget authority from the projects that are delayed or have cost less than anticipated to the projects that are ahead of schedule or have cost more; and

WHEREAS, On June 23, 2011, the Board of Directors approved Resolution 2011-30, which revised the reprogramming policy for the capital budget to delegate to the General Manager and Chief Executive Officer (GM/CEO) the authority to reprogram up to 5.0 percent of the approved total annual capital budget on an annual cumulative basis between existing projects; and

WHEREAS, The revised reprogramming policy of June 23, 2011, also stipulates that the GM/CEO shall seek any additional reprogramming authority necessary to cover additional reprogramming amounts in increments that he shall recommend to the Board of Directors; and

WHEREAS, The approved Capital Improvement Program (CIP) budget for FY2014 is \$996.0 million; and

WHEREAS, As of June 20, 2014, the GM/CEO has utilized \$42.4 million of cumulative reprogramming authority in FY2014, or 4.3 percent of the total annual capital budget; and

WHEREAS, The remaining \$7.4 million of existing reprogramming authority for FY2014 is not sufficient to address all the remaining project budget changes that are required; and

WHEREAS, The GM/CEO recommends that an additional \$50 million of reprogramming authority, which will bring the GM/CEO's total FY2014 reprogramming authority to \$99.8 million, will be sufficient to align all currently identified project budgets with actual expenses as well as provide a contingency for any additional reprogramming needs that may arise; and

WHEREAS, This additional reprogramming is necessary to ensure that budget authority and expenses are aligned in the correct projects so WMATA can pay invoices and seek reimbursements from the Federal government under its grants; now, therefore be it

RESOLVED, That the Board of Directors grants the GM/CEO the authority to reprogram up to an additional \$50 million of the FY2014 CIP budget; and be it further

RESOLVED, That following the completion of the FY2014 reprogramming, the GM/CEO shall submit a report to the Board of Directors summarizing all the reprogramming actions taken during the fiscal year; and be it finally

RESOLVED, That this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,



Kathryn H.S. Pett
General Counsel

WMATA File Structure No.:
4.2.3 Budget Reprogramming