MINUTES
BOARD BUDGET COMMITTEE
June 9, 2005

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

Committee Members	Other Board Members
Mrs. Gladys W. Mack	Mr. Gordon Linton
Mr. Dana Kauffman	Mrs. Catherine Hudgins
Mr. Christopher Zimmerman	Mr. Daniel Tangherlini
Mr. Charles Deegan	
Mr. Robert J. Smith	
Mr. Jim Graham	
Mr. Marcell Solomon	

Minutes from May 12, 2005
Mr. Smith moved approval of the minutes; Mr. Tangherlini seconded. The minutes were approved without change.

I. Information Items:

A. Monthly Financial Report – April 2005

Staff indicated that the April financials were extremely favorable due to record ridership driven mostly by revived tourism. Revenues for the month were $4.8M over budget and $20.4M ahead of budget year to date. Expenses were essentially on budget and followed past trends showing overruns in power and fuel, offset by underuns in services and fringes. The net subsidy variance in April was $5.3M favorable and $13.3M favorable year to date.

II. Action Items:

A. FY06 Budgets: Review Comments and Make Final Adjustments; Transmit to Board for Approval

1. Operating Budget.
Staff indicated the changes that had occurred since the submission of the GM/CEO's proposal in December and since the Budget Committee approved the distribution of the budget to the jurisdictions for comment in March. Staff then reviewed comments by the JCC and those by the jurisdictions from their reviews of the budget.

In response to the Committee's request at the May Budget Committee meeting, staff indicated they could not recommend entering into a diesel swap to stabilize fuel prices

at this point. Fuel futures had fallen since the Committee's request last month and staff felt they might continue to fall. However, staff recommended that the Committee raise the operating reserve to 2% in anticipation of either higher fuel prices or problems with the ADA contract. There was no interest by Board members in adjusting the size of the reserve; however some members suggested that the budget be adjusted based on the anticipated shortfall in fuel costs. Others maintained that the forecast was uncertain, but that the current reserve could cover any shortfall. No consensus was achieved.

Staff also requested approval to carry over of $1.7M of FY05 expense to FY06 for bus information maps and railcar carpet replacement. When questioned staff explained that while the costs would not actually be incurred in FY05 the FY05 funding would be applied to cover this expense when it occurs (in FY06,) but would be accrued in FY05.

Mr. Smith asked if all of the $20M of FY05 YTD favorable revenue variance was included the FY06 revenue figures. Staff replied that recurring revenue increases expected to occur in FY06 were included and demonstrated the basis for the FY06 forecast, including FY 05 results. Mr. Smith urged more aggressive revenue forecasting in the future. Mrs. Mack asked that the JCC be involved in the development of FY07 guidance and budget review process. Staff responded that a meeting with the JCC on that subject had already been scheduled. Mr. Smith asked how many vacant positions were included in the budget and how long current positions remained vacant. He questioned the value maintaining positions that had been vacant for more that a year. Staff indicated that there currently were roughly 500 positions vacant, that vacancies were partially accounted for by the salary/wage lapse, and that the Authority could not at this time tell him how long positions remained vacant.

Staff requested approval to send the FY06 operating budget to the Board for final approval, as well as approving the requested carryover. Mr. Kauffman moved staff's recommendation but excluding the staff request to increase in the operating reserve, and instead reaffirming the current 1% reserve level and the provision that any adjustment to that level require Board approval. Mr. Zimmerman seconded the motion. The motion passed 7-2. Voting for were Mr. Kauffman, Mr. Zimmerman, Mrs. Mack, Mrs. Hudgins (for Euille), Mr. Tangherlini (for Barry), Mr. Graham, and Mr. Solomon. Mr. Deegan and Mr. Smith voted against.

Given the Maryland representatives' vote and the potential for a jurisdictional veto at the Board meeting, Mr. Zimmerman moved to reconsider the operating budget. The motion failed for lack of a second. The proceedings moved to consideration of the Capital budget. Mr. Graham then moved to reconsider the operating budget and discussion of a potential Maryland veto of the operating budget at the full Board. Mr. Zimmerman seconded. The motion passed unanimously.

Mr. Zimmerman and Mr. Graham requested that the Maryland representatives explain the basis for their no vote, citing the potential for a Board veto. Mr. Smith indicated that Maryland had concerns about the size of the operating reserve and the possible retention of subsidy savings by the Authority. Mr. Smith made an alternate motion to

approve staff's FY06 operating budget recommendation to include specific language to return to the jurisdictions all revenues in excess of expenses after the 1% operating reserve was satisfied. The motion was seconded by Mr. Deegan. The motion failed 2-7. Mr. Deegan and Mr. Smith voted for. Voting against were Mr. Kauffman, Mr. Zimmerman, Mrs. Mack, Mrs. Hudgins (for Euille), Mr. Tangherlini (for Barry), Mr. Graham, and Mr. Solomon.

Mr. Smith indicated that he and Mr. Deegan could not vote for approval of the budget in Committee without specific language in the resolution restricting the operating reserve to 1% exclusive of direct Board action. The other members and staff indicated that under the existing Board Resolution 2003-50, the operating reserve was capped at 1% and Board action was required to change it, and that the previous Committee action had reaffirmed that status. Mr. Smith asked that the specific language relative to this issue be presented to the Committee, and staff was instructed to develop the requested language to be inserted into the resolution and return later in the meeting for a final vote.

Prior to staff's return with the revised resolution. Mr. Graham moved to end debate and to vote on Mr. Kauffman's original motion to approve the budget and maintain the 1% reserve. Mr. Zimmerman seconded. The motion passed 7-2. Voting for were Mr. Kauffman, Mr. Zimmerman, Mrs. Mack, Mrs. Hudgins (for Euille), Mr. Tangherlini (for Barry), Mr. Graham, and Mr. Solomon. Mr. Deegan and Mr. Smith voted against.

2. Capital Budget.

Staff presented the Capital Improvement Budget proposal, including a discussion of comments made by jurisdictions on the proposed budget. The CIP consists of Metro Matters and Beyond Metro Matters sections, with several jurisdictions requesting additional projects, paid for by the requesting jurisdiction, in the latter portion of the program as part of their comments. As presented, the Metro Matters program of 512.2M includes an IRP of $213.7M, Rail Cars and Buses Programs including facilities of $245.8M, with Financing Costs of $14.2M and $38.5M for a Security Program which is subject to availability of federal funds. The Beyond Metro Matters program of $25.6M includes additions to the IRP of $3.7M, an SAP of $11.9M, and a $10.0M SEP.

Staff also presented the FY07-FY11 capital budget of $2.76B to the Board for planning purposes. Mr. Smith asked why the capital budget staff did not report to the office of the CFO. He suggested that the current structure could lead to conflicts of interest. Mr. White indicated that when the new CFO assumed his/her post the capital budget staff would report to the CFO. Staff recommended that the Committee forward the FY06 capital budget to the Board for approval. Mr. Graham moved approval of staff's recommendation. Mr. Zimmerman seconded. The motion passed unanimously.

B. <u>Staff Report on Public Hearing of Proposed Market Based Pricing for Parking at Morgan Boulevard and Largo Town Center Stations</u>

Based on the limited but supportive responses received at the public hearing, staff

requested approval to charge a market based parking fee (currently $25) for non-Metrorail riders at Largo Town Center and Morgan Blvd. stations during events at FedEx Field. Metrorail riders parking at the station would continue to pay the normal non-event charge (currently free on weekends.) The action would modify the tariff to accommodate the charges and would incorporate the revenues of $337,500 and expenses of $177,000 into the FY06 operating budget. Subsidy will be reduced by $160,500. The first Redskins home game is on August 19, 2005. Mr. Graham moved staff's request, Mr. Deegan seconded, and the motion passed unanimously.

C. Administrative Actions Associated with Tax Advantaged Lease

In 1998 WMATA entered into a tax advantaged lease of 88 Rohr rail cars. Two of these leased cars were destroyed in the 2004 Woodley Park accident and other cars in revenue service must be substituted under the terms of the lease. Cars are available for such a substitution. Staff requested approval to execute the appropriate paperwork, including fees and expenses for processing not to exceed $40K, and tax indemnification as called for in the documents originally approved by the Board. Mr. Smith moved staff's request, Mr. Zimmerman seconded, and the motion passed unanimously.

The meeting was adjourned at 11:45 AM.