



**Finance & Administration Committee**

**Information Item IV-C**

**September 10, 2015**

**FY2015 Year-End Financial Update**

Washington Metropolitan Area Transit Authority  
**Board Action/Information Summary**

Action  Information

MEAD Number:  
201657

Resolution:  
 Yes  No

**TITLE:**

FY2015 Year-End Financial Update

**PRESENTATION SUMMARY:**

Present FY2015 year-end operating and capital budget results.

**PURPOSE:**

Staff will inform the Board on ridership, revenue, and operating expenses as of the end of FY2015, as well as the status, delivery rates, and progress of the Capital Program during the same period.

**DESCRIPTION:**

**Key Highlights:**

- Following the completion of the FY2014 financial audit, the FY2014 operating deficit was confirmed at \$17.5 million, down from the preliminary estimate of \$23 million provided to the Board in September 2014. Based on preliminary year-end results as of September 3, the operating surplus for FY2015 is \$20.6 million. As committed by the GM/CEO at the beginning of the fiscal year, this result provides sufficient surplus to pay back the prior year deficit without requiring additional contributions from the jurisdictions.
- Total transit ridership for FY2015 was up slightly (0.3 percent) over FY2014. As a result of the modest fare increase instituted at the beginning of FY2015, total passenger fare and parking fee revenues were up approximately \$39 million over FY2014. However, ridership and revenue fell short of budgeted projections, and total operating revenue was below budget by \$43 million. This was more than offset, however, by lower expenses, primarily in salaries and wages, fuel/propulsion/utilities, and services.
- Preliminary total capital expenditures for FY2015 were \$717 million, compared to a budget of \$1.1 billion, for an expenditure rate of 65 percent.

**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**

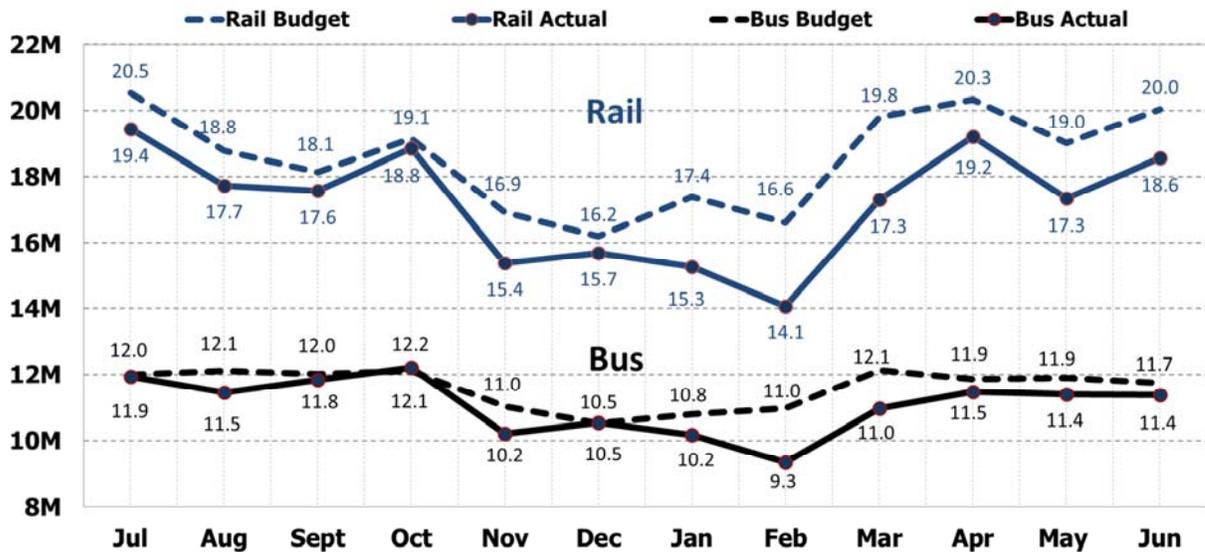
Metro ended FY2015 with a preliminary positive net operating position of \$51.3 million. Total annual operating expenses for the year were \$1,660.1 million, \$94.6 million below budget, while total annual operating revenues were \$902.7 million, \$43.3 million below budget. After accounting for \$30.7 million of eligible preventive maintenance expenses transferred out of the operating budget and paid for with capital grant funds, the year-end surplus for FY2015 is \$20.6 million. This surplus is sufficient to cover the FY2014 year-end deficit of \$17.5 million, as committed by the GM/CEO at the beginning of the fiscal year.

*Ridership and Revenue*

Metrorail ridership in FY2015 was 206.4 million trips, an increase of 2.3 million over FY2014, but a negative variance of 16.5 million compared to budget as ridership on the new Silver Line was lower than projected and anticipated growth in the existing system did not materialize. The general trend over the past three years 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 to a range of factors, including the reduction in the federal transit benefit as well as reduced overall employment growth and economic growth in the Washington region. Lower gasoline prices 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). Finally, the impact of telecommuting and alternative work schedules continues, with ridership notably lower on Mondays and Fridays.

Metrobus ridership was 132.9 million in FY2015, down 1.5 million compared to FY2014, and down 6.2 million compared to budget. Bus ridership was negatively impacted in February and March by bad winter weather, and as with rail, expected overall growth did not materialize. MetroAccess ridership was 2.24 million, an increase of 111,000 over last year and 115,000 over budget. Utilization of the "TransportDC" taxi pilot program continues to ramp up, with trips carried reaching a new monthly high of over 6,000 in June 2015.



FY2015 revenue was below budget in passenger fares (Metrorail and Metrobus) and in parking fees. This was slightly offset by growth in MetroAccess fare revenue and by non-passenger revenues. Revenue results track with the overall ridership performance, as total passenger fares and parking fees were \$839.8 million for the fiscal year – an increase of \$39.1 million or five percent over the same period last year, as a result of the fare increases instituted in July 2014, but \$56.5 million below budget, primarily as a result of below-budget rail ridership. Non-transit revenues are above budget by \$13 million or 26 percent.

**Operating Expenses**

Total annual operating expenses for FY2015 were \$1,660.1 million, which was \$94.6 million below budget and \$22.9 million higher than the same period last year.

**Labor**

Total FY2015 Personnel expenses (including Salary/Wages, Overtime, and Fringe) of \$1.214 billion were favorable to budget by \$57.8 million or 4.5 percent. The FY2015 expenses were 1.4 percent higher than the FY2014. As a result of the negotiated Collective Bargaining Agreement (CBA) with Local 2, the FY2015 expenses included retroactive wage payments totaling \$4.1 million which were made in December 2014. Annual Salary/Wage expenses of \$738.3 million were under budget by \$48.7 million or 6.2 percent. Total FY2015 overtime expenses of \$69.1 million were under budget by \$5.6 million or 7.5 percent and were \$9.0 million less than the same period last year.

The primary contributors to overtime were in Rail, Bus Services and Transit Infrastructure and Engineering Services (TIES) and MTPD. Overtime expenses in Rail and TIES were 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. TIES experienced a \$1.3M favorable variance in FY2015 versus a (\$6.3M) deficit in FY2014. Bus Services department overtime was also favorable to budget by \$0.9 million.

The FY2015 annual fringe benefit expenses were \$3.4 million under budget, though some of the overall favorability was offset by unfavorable pension expenses and healthcare expenses.

**Non-Labor**

FY2015 total non-personnel expenses of \$446.0 million were under budget by \$36.9 million. Fuel, Power and Utilities were under budget by \$20.2 million mainly due to hedging practices and lower-than-projected rates 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. The FY2015 favorability was mainly due to savings from lower-than-budgeted rates for diesel, propulsion and utilities which resulted from favorable hedges (compared to the original budget) and fixed price contracts; to lower-than-budgeted consumption of propulsion, electricity and natural gas; a CNG tax credit; and savings on lubricants and other items. Volume favorability for propulsion & electricity exceeded 35K Kwh for FY2015. The diesel hedge rate was \$2.87 per gallon in comparison to the budgeted diesel rate of \$3.02 per gallon.

Services were favorable to budget by \$20.5 million for the fiscal year, while Materials & Supplies expenses of \$93.8 million exceeded budget by \$4.8 million due mainly to parts utilized in the repair and maintenance projects.

### **Capital Program**

For FY2015, the total budgeted capital investment was \$1.205 billion, including \$1.102 billion for the CIP, \$4.2 million for the Security program, and \$98.5 million for the Capital Reimbursable program. In FY2015, Metro expended \$717 million in the CIP, or 65 percent of the total CIP budget.

During FY2015, Metro focused on the successful delivery of key planned CIP investments to improve the safety and reliability of the system. Key projects this year included: 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 the New Electronic Payments Program (NEPP). However, Metro's capital program expenditure performance was also impacted by management's decision to slow down spending on a targeted group of projects in response to grant reimbursement issues. Additionally, certain key projects did not advance on schedule relative to forecast, including the Cinder Bed Road bus facility, Andrews Federal Campus Bus Facility, Bus Replacement, Railcar Replacement, and NEPP. Metro has revised the schedules for these projects and factored the impact of the timing of delivery into the FY2016 budget approved by the Board in May 2015.

Significant capital program accomplishments include:

Bus Acquisition - The FY2015 new bus order includes 81 forty-foot and 20 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 fourth quarter, 101 buses have been received.

Access Vehicle Replacement – The MetroAccess fleet, which included 600 vehicles through FY2014, was expanded to 650 vehicles at the beginning of FY2015 in order to meet customer demand. In FY2015, WMATA contracted to purchase up to 150 MetroAccess vehicles. Through June, WMATA has received and placed into service 120 MetroAccess vehicles.

Escalator and Elevator Rehabilitation and Replacement – Fifteen of the 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 (2), Shady Grove, Federal Center, Glenmont, West Hyattsville, and Braddock Road. Twenty-eight of the 29 escalator rehabilitations are complete, with McPherson Square (5), L'Enfant Plaza (7), Stadium Armory (3), Capitol South, National Airport (2), Crystal City (3), Capitol South, Farragut West, Foggy Bottom (2), and Smithsonian (4) escalators rehabilitated and back in service. All twelve of the planned escalator replacements are complete at Glenmont (3), Georgia Avenue (2), Bethesda, Columbia Heights (2), Friendship Heights, Metro Center (2), and Branch Avenue.

Track Rehabilitation - Through the fourth quarter, Metro welded 1,037 open weld joints, rehabilitated 8,226 linear feet of grout pads, tamped 43 miles of track, repaired 3,290 leaks, and replaced 13.5 miles of running rail, 15,003 cross ties, 27,821 fasteners, 33 switches, and 1,574 safety signs. The goal for floating slab rehabilitation has been reduced from 750 to 535. An engineering assessment will be conducted to determine the future floating slab locations.

Note: All operating and capital amounts included in this report are preliminary and are subject to change.

### **FUNDING IMPACT:**

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

Department/Office:

**TIMELINE:**

<b>Previous Actions</b>	May 2015 - FY2015 Third Quarter Operating and Capital Budget Update
<b>Anticipated actions after presentation</b>	November 2015 - FY2016 First Quarter Operating and Capital Budget Update

**RECOMMENDATION:**

No Board action required - information item only



Washington Metropolitan Area Transit Authority

# FY2015 Year-End Financial Update

Finance & Administration Committee  
September 10, 2015



# FY2014 Deficit Covered by FY2015 Surplus

<b>Category</b>	<b>Year-End Total</b>
Operating Revenue	\$902.7
Jurisdictional Subsidy	\$779.3
Application of FY2013 Surplus	\$20.0
Operating Expenses	(\$1,660.1)
Debt Service	(\$21.3)
<b>Total</b>	<b>\$20.6</b>
FY2014 Deficit	(\$17.5)
<b>Net Position</b>	<b>\$3.2</b>

*Figures in millions, preliminary as of 09/03/2015*



# Ridership and Revenue Up Over Last Year

- Total transit ridership for FY2015 up 0.3 percent (0.9 million trips)
- Passenger fares and parking fees up \$39 million
- Ridership did not meet budget projections





# FY2015 Year-End Revenue and Ridership

Mode	Measure	Budget	Actual	Variance
Rail	Ridership	223 million	206 million	
	Revenue	\$672 million	\$627 million	
Bus	Ridership	139 million	133 million	
	Revenue	\$156 million	\$146 million	
Access	Ridership	2.12 million	2.24 million	
	Revenue	\$8.0 million	\$9.0 million	
Parking	Revenue	\$48 million	\$47 million	
Non-Passenger *	Revenue	\$50 million	\$63 million	

\* includes advertising, fiber optics, leases, etc.



# FY2015 Year-End Operating Results

YTD	FY2014	FY2015		Variance FY15	
	Actual	Actual	Budget	\$	Percent
<b>Revenue</b>	\$ 857	\$ 903	\$ 946	\$ (43)	-4.6%
<b>Expense</b>	\$ (1,637)	\$ (1,660)	\$ (1,724)	\$ 64	-3.7%
<b>Net Income</b>	\$ (781)	\$ (757)	\$ (778)	\$ 21	-2.6%
<b>Cost Recovery</b>	52%	54%	55%		

*Note: FY2015 expense budget of \$1,724 includes \$31 million credit for eligible preventive maintenance expenses supported by capital grant funds.*



# FY2015 Year-End Operating Expenses

Expense Category		Budget	Actual	Variance
Labor	Salaries and Wages	\$862 million	\$807 million	
	Fringe Benefits	\$410 million	\$407 million	
Non-Labor	Fuel, Propulsion and Utilities	\$148 million	\$128 million	
	Services	\$208 million	\$187 million	
	Materials and Supplies	\$89 million	\$94 million	
	Insurance and Other	\$38 million	\$37 million	
Total Operating Expenses		\$1,755 million	\$1,660 million	

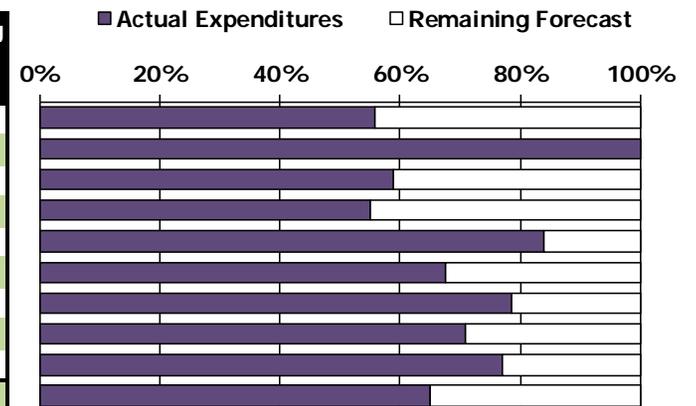


# Capital Program Investments to Date

(as of June 30, 2015)

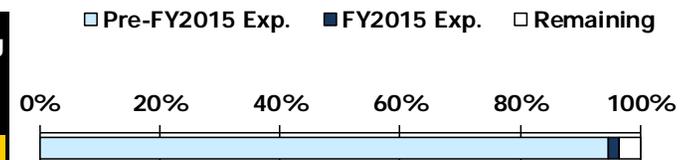
## FY2015 Performance: CIP Projects

Capital Program Group	FY2015 Approved Budget	FY2015 Expend.		FY2015 Remaining	
		Dollars	% of Bud.	Dollars	% of Bud.
A. Vehicles/Vehicle Parts	\$ 349.6	\$ 194.6	56%	\$ 155.0	44%
B. Rail System Infrastructure Rehab	\$ 67.5	\$ 77.3	115%	\$ (9.8)	-15%
C. Maintenance Facilities	\$ 185.0	\$ 109.1	59%	\$ 75.9	41%
D. Systems and Technology	\$ 182.3	\$ 100.1	55%	\$ 82.2	45%
E. Track and Structures	\$ 69.7	\$ 58.5	84%	\$ 11.2	16%
F. Passenger Facilities	\$ 137.1	\$ 92.7	68%	\$ 44.4	32%
G. Maintenance Equipment	\$ 72.7	\$ 57.0	78%	\$ 15.6	22%
H. Other Facilities	\$ 33.6	\$ 23.8	71%	\$ 9.8	29%
I. Program Mgmt. / Credit Facility	\$ 4.6	\$ 3.5	77%	\$ 1.1	23%
<b>CIP Total:</b>	<b>\$ 1,102.1</b>	<b>\$ 716.6</b>	<b>65%</b>	<b>\$ 385.4</b>	<b>35%</b>



## To Date Performance: Safety & Security Projects

Safety & Security Projects*	Total Budget	Pre-FY15	FY15	FY2015 Expend.		FY2015 Remaining	
		Exp.	Budget	Dollars	% of Bud.	Dollars	% of Bud.
<b>Safety &amp; Security Total:</b>	<b>\$ 75.3</b>	<b>\$ 72.0</b>	<b>\$ 4.2</b>	<b>\$ 1.4</b>	<b>34%</b>	<b>\$ 2.7</b>	<b>66%</b>

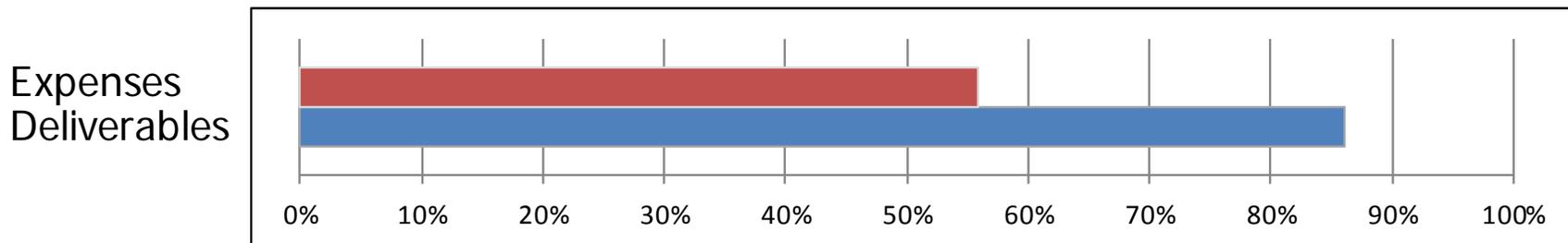


\*Expenditure data is recorded from the inception of Safety & Security program



# Vehicles and Vehicles Parts

## Bus and MetroAccess



## FY2015 Major Deliverables

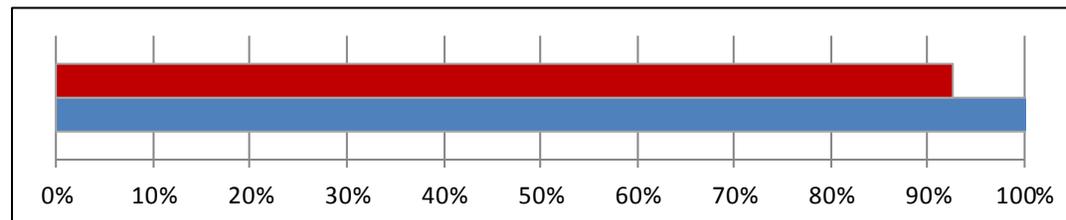
Program		FY2015 Planned	FY2015Q4 Actual	Status
Bus Rehabilitation	CIP0005 # Buses rehabilitated	100	81	
Bus Replacement	CIP0006 # Buses delivered	81	81	
Bus Expansion	CIP0003 # Buses delivered	20	20	
MetroAccess Fleet	CIP0015 # Vehicles delivered	150	120	



# Track and Structures

## Track and Structures

Expenses  
Deliverables



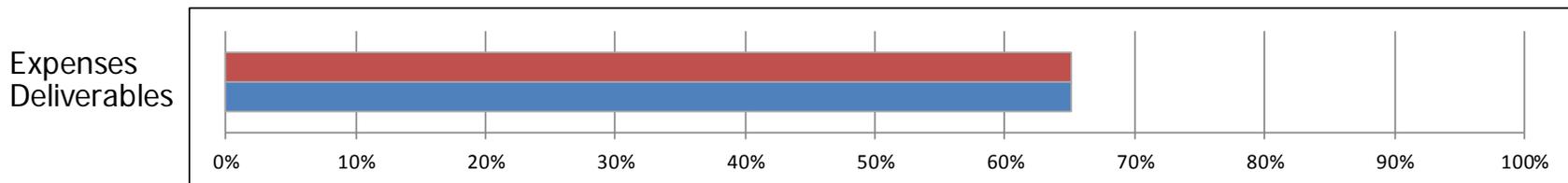
## FY2015 Major Deliverables

Program		FY2015 Planned	FY2015Q4 Actual	Status
Welding Program	CIP0018 # joints welded	1,200	1,037	On Track
Floating Slab Rehab	CIP0019 linear ft.	750	535	On Track
Rail Signage Replacement	CIP0020 # signs replaced	1,500	1,574	On Track
Pad/Shock Absorber Rehab	CIP0021 linear ft.	8,000	8,226	On Track
Track Rehab	CIP0024 # miles of track tamped	33	43	On Track
	miles of running rail	10	13.5	On Track
	# direct fixation fasteners	20,000	27,821	On Track
	# cross ties	15,000	15,003	On Track
	# switches	8	33	On Track
Leak Mitigation	CIP0026 # leaks fixed	2,150	3,290	On Track



# Maintenance and Other Facilities

## Bus Garages and Other Facility



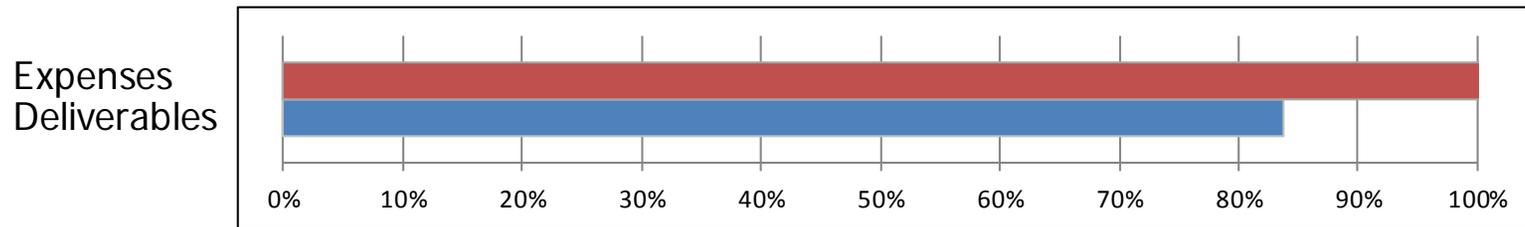
### FY2015 Major Deliverables

Program	Annual Goal	FY2015 Estimate % Complete	FY2015Q4 % Complete	Status
Royal Street Bus Garage	CIP0085 Advancing site construction	25%	35%	
Southern Avenue Bus Garage Replacement	CIP0084 Preparing final design. Working through permit process.	50%	59%	
Test Track & Commissioning Facility	CIP0071 Complete contract, work on punch list	95%	80%	
District 2 Police Station	CIP0101 Contract Close-out	95%	77%	
Special Operations Facility	CIP0106 Complete Punch List	95%	85%	



# Maintenance Equipment

## NTSB Requirements



## FY2015 Major Deliverables

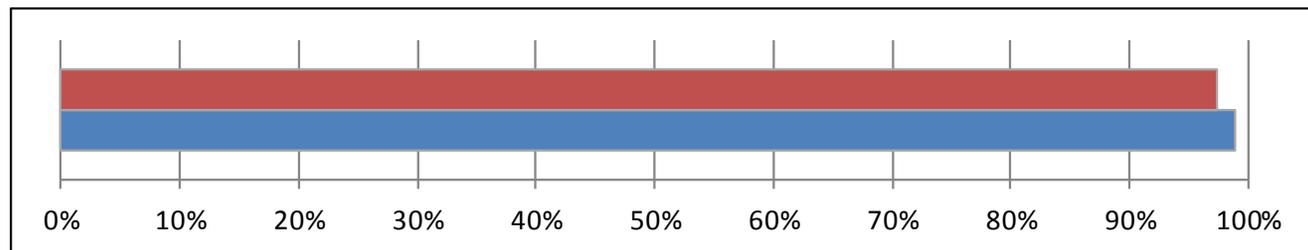
Program			FY2015 Planned	FY2015Q4 Actual	Status
Replace Power Cables	CIP0139-P6	linear ft.	20,000	12,809	Red
Replace GRS Track Circuits	CIP0139-06	# of Modules	144	150	Green
		# of Bonds	225	187	Olive



# Passenger Facilities

## Elevators and Escalators

Expenses  
Deliverables



## FY2015 Major Deliverables

Program		FY2015 Planned	FY2015Q4 Actual	Status
Elevator Rehabilitation	CIP0072 # Elevator rehabilitated	15	15	On Track
Escalator Rehabilitation	CIP0073 # Escalator rehabilitated	29	28	On Track
Escalator Replacement	CIP0185 # Escalator Replaced	12	12	On Track



# Next Steps

## November 2015

- FY2016 First Quarter Financial Report and Capital Progress Update