



Finance & Administration Committee

Information Item IV-C

September 11, 2014

FY2014 Operating Budget Performance Report

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

Action Information

MEAD Number:
201002

Resolution:
 Yes No

TITLE:

FY2014 Operating Budget Performance Report

PRESENTATION SUMMARY:

This information item will update the Board on Metro's operating performance in Fiscal Year 2014. The presentation will include information on revenues, expenses, and subsidy contributions, with specific discussion of FY2014 ridership by mode and of key areas of variance within the operating expense budget.

PURPOSE:

This is an information item to provide the Board with an update on Metro's FY2014 operating budget performance.

DESCRIPTION:

Key Highlights:

- FY2014 revenue was flat compared to FY2013 at \$853 million, but approximately \$39 million below budget. Metrorail fare revenue is the source of this variance, due both to one-time impacts (including the October government shutdown, the winter weather closures, and the delay of the Silver Line) and to overall weakness in rail ridership due in part to the reduction in the federal transit benefit. Revenues from all other sources, including bus fares and advertising, were up slightly.
- The negative revenue variance was partially offset by a \$16 million positive variance in expenses. The positive variance was due primarily to reduced expenditures for Services and Fuel/Propulsion/Utilities, which offset a modest negative variance in labor expenses.
- As a result, Metro ended FY2014 with a total subsidy deficit of \$23 million compared to budget.

Background and History:

The most recent update to the Committee on FY2014 performance was in June 2014, when the Third Quarter results were presented. At that time, Metro had a negative net operating position of \$6.3 million, with a negative revenue variance of \$21.0 million partially offset by a positive variance of \$14.7 million in expenditures.

Discussion:

Revenue and ridership:

Rail ridership and revenue were both down compared to budget by about seven percent. Bus ridership was up almost two percent and revenue was up three percent over budget. MetroAccess ridership was also up about five percent, while revenue was essentially flat, due in part to the implementation of the fare calculator, which lowered average fares. Parking revenue was at budget, in part due to an accounting change this year which credits some unused fare media revenue to parking. Finally, non-passenger revenue was above budget, in part due to a one-time insurance payment that was received in October 2013.

FY2014 was a positive year for Metrobus and MetroAccess ridership and a challenging year for Metrorail, for the reasons already discussed (i.e., one time impacts including the October government shutdown, the winter weather closures, and the delay of the Silver Line, as well as overall weakness compared to last year due in part to the reduction in the federal transit benefit). However, Metro is seeing some positive indicators in the beginning of FY2015. There also were bright spots in FY2014 on rail – the second half of the year showed some modest improvement in weekend ridership, and stations with strong surrounding development (like U Street and Dunn Loring) showed good ridership gains despite the headwinds.

Metrobus continues to grow, partly due to the DC Kids Ride Free program, and also more broadly. All three jurisdictions (DC, Maryland, and Virginia) saw ridership growth over last year, and weekends in particular have seen very strong growth, continuing what is now a five year trend. Metro's regional routes have also been performing well, which is where the investments in reliability and on-time performance through the Better Bus Initiative have been made.

Finally, as indicated during the fare policy discussions earlier this year, MetroAccess ridership has come off its plateau and started to increase again, largely due to an increase in registrants. Staff continues to monitor this growth, and Metro is looking forward to the kickoff of the District's taxi pilot in October, which will encourage DC residents traveling for kidney dialysis to take a subsidized taxi trip rather than MetroAccess.

Operating expenses:

Total personnel expenses (including fringes) were above budget by approximately \$13 million. Within personnel, fringes were above budget by one percent or \$4 million, while overtime was above budget by approximately \$18 million, a slight improvement over FY2013. These negative variances were partially offset by reduced expenses in regular salaries and wages, which are below budget due primarily to vacancies.

However, collective bargaining agreement (CBA) wage increases that were agreed to after the adoption of the budget have partially reduced the positive variance from vacancies. The total combined operating expense impact of the CBA increases for Local 689, Local 2, and Local 922 in FY2014 was approximately \$22 million.

The positive variance in non-labor expenses is due to lower expenditures in Fuel/Propulsion/Utilities and in Services. The savings in fuel/propulsion/utilities were due to favorable pricing (Metro was able to lock in half the diesel fuel budget and the

entire propulsion budget through hedges and fixed price contracts) as well as to lower utilization than was forecasted.

The savings in services are due primarily to favorable contract closeouts and timing of job orders, including:

- favorable closeout of a MetroAccess contract,
- successful negotiation of reduced costs for a services contract,
- lower utilization of the SmarTrip call center, and
- the delayed start of some non-safety related maintenance contracts.

The negative variance to budget in Materials/Supplies is due to greater than budgeted bus and railcar maintenance efforts, particularly maintenance efforts on the older series railcars in preparation for Silver Line service and the expansion of the revenue fleet.

FUNDING IMPACT:

This item is informational only and has no direct impact on funding.	
Project Manager:	Thomas J. Webster
Project Department/Office:	OMBS/CFO

TIMELINE:

Previous Actions	June 2014 - Third Quarter FY2014 Operating Results
Anticipated actions after presentation	October 2014 - Ridership and Revenue Preview for FY2016 Budget Process

RECOMMENDATION:

No action required, information item only.



Washington Metropolitan Area Transit Authority

Fiscal Year 2014 Operating Budget Performance Report

Finance and Administration Committee
September 11, 2014



FY2014 Operating Budget Results

OPERATING BUDGET (\$ in millions)

	FY2013	FY2014		Variance FY14	
	Actual	Actual	Budget	\$	Percent
Revenue	\$ 853.6	\$ 853.1	\$ 892.1	\$ (38.9)	-4.4%
Expense	\$ 1,525.6	\$ 1,639.2	\$ 1,655.2	\$ 16.0	1.0%
Subsidy	\$ 672.0	\$ 786.0	\$ 763.1	\$ (22.9)	-3.0%
Cost Recovery	56.0%	52.0%	53.9%		



FY2014 Revenue and Ridership

FY2014 Ridership and Revenue

Mode	Measure	Budget	Actual	Variance
Rail	Ridership	219 million	204 million	↓
	Revenue	\$644 million	\$597 million	↓
Bus	Ridership	133 million	134 million	↑
	Revenue	\$145 million	\$150 million	↑
Access	Ridership	2.0 million	2.1 million	↑
	Revenue	\$8 million	\$8 million	↔
Parking	Revenue	\$47 million	\$47 million	↔
Non-Passenger*	Revenue	\$49 million	\$52 million	↑

* includes advertising, fiber optics, leases, etc.



FY2014 Ridership Review

- **Metrorail**

- Challenging year – October shutdown, winter weather, Silver Line delay, transit benefit reduction
- Weekends showing improvement, stations with surrounding development grew despite challenges

- **Metrobus**

- DC Kids Ride free successful, had overall growth in all three jurisdictions
- Growth in particular on weekends, regional routes

- **MetroAccess**

- Steady growth in registrants and trips



FY2014 Operating Expenses

FY2014 Operating Expenses

Expense Category		Budget	Actual	Variance
Labor	Salaries and Wages	\$798 million	\$807 million	
	Fringe Benefits	\$384 million	\$388 million	
Non-Labor	Fuel, Propulsion and Utilities	\$155 million	\$130 million	
	Services	\$207 million	\$179 million	
	Materials and Supplies	\$74 million	\$94 million	
	Insurance and Other	\$37 million	\$41 million	
Total Operating Expenses		\$1,655 million	\$1,639 million	



FY2014 Operating Expense Review

- **Personnel**

- Overtime above budget (\$78 million versus \$60 million)
- Fringes slightly above budget (\$4 million)
- Vacancies reduced regular wages/salaries

- **Non-Personnel**

- Significant savings in Services and Fuel/Propulsion
- Above budget in Materials and Supplies
- Slightly above budget in Other (insurance, etc.)

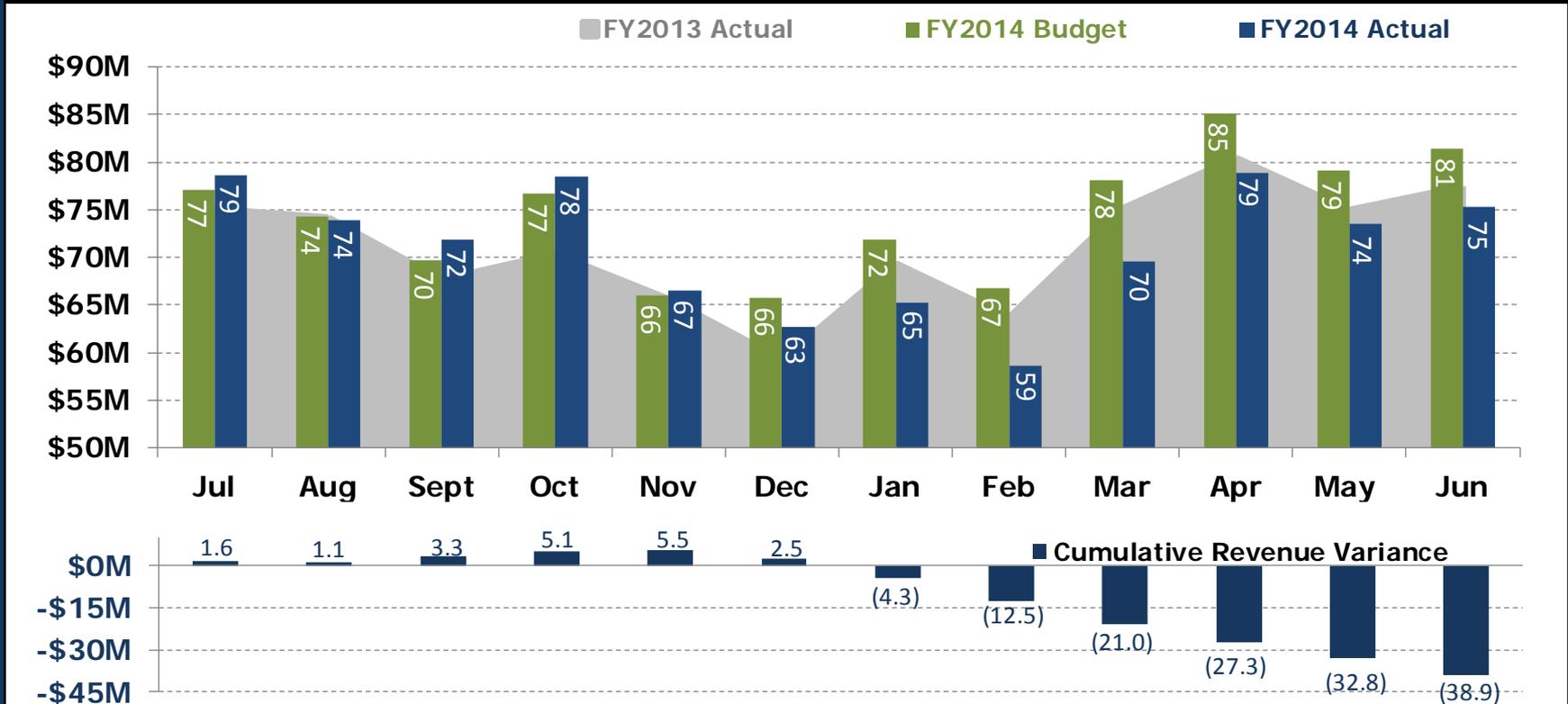


Appendix



FY2014 Operating Revenue

REVENUE (in Millions)





FY2014 Rail and Bus Ridership

MONTHLY RIDERSHIP FOR RAIL AND BUS (in Millions)

