



Finance & Administration Committee

Information Item III-A

September 12, 2013

FY2013 Operating Budget Performance Review

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

Action Information

MEAD Number:
200371

Resolution:
 Yes No

TITLE:

FY2013 Operating Budget Year-End Review

PRESENTATION SUMMARY:

This presentation summarizes FY2013 operating budget performance.

PURPOSE:

The Finance and Administration Committee will be informed of the FY2013 operating budget results.

DESCRIPTION:

Key Highlights:

- Metro delivered the FY2013 operating budget with a net positive year-end position of \$30.2 million. Total operating expenses were \$1,525.6 million, \$50.5 million less than budget. Total operating revenues were \$853.6 million, \$20.3 million below budget.
- Reduced fare revenue on Metrorail was the primary driver of a 2.3 percent negative variance in total revenues. Metrorail revenue was below budget primarily due to lower than projected ridership.
- Positive budget variances in personnel costs, service contracts and propulsion and fuel partially offset by overruns in parts and materials resulted in a net positive expenditure variance of \$50.5 million.

Background and History:

Metro's \$1.6 billion FY2013 operating budget provides for the personnel, materials and supplies, fuel and propulsion power, and services to operate Metrobus, Metrorail, and MetroAccess.

Discussion:

FY2013 Operating Revenue

Total operating revenues for FY2013 were \$853.6 million, which was \$20.3 million or 2.3 percent below budget. Of that total, approximately \$6 million was due to rail and bus ridership losses from Hurricane Sandy and the unexpected Christmas Eve federal

holiday granted by the President. Beyond those one-time events, reduced fare revenue on Metrorail, as a result of lower than projected ridership and the changes to the Federal Transit Benefit, were the primary drivers of the overall negative revenue variance. For FY2013, Metrorail fare revenue was \$20.6 million below budget, while Metrobus fare revenue was \$0.3 million above budget, and MetroAccess fare revenue was \$0.6 million above budget. Parking revenue was below budget by \$3.0 million or 6.1 percent due to lower than projected utilization.

All other non-transit revenue sources were above budget by \$2.3 million. Substantial positive variances were achieved in advertising (+\$1.2 million) as the market recovered and fiber optics (+\$1.1 million) as certain contracts were renegotiated to compensate for inflation. Negative variances were experienced in joint development rents (-\$1.5 million) due to a higher planned program which did not fully materialize and subrogation collections (-\$0.6 million), which were reclassified from revenue to expense credits.

FY2013 Ridership

Total Metro ridership for FY2013 was below budget by 7.2 million (2.0 percent) and below FY2012 totals by 9.5 million (2.7 percent). Nearly all of the FY2013 underrun was attributable to lower ridership on Metrorail. The July 2012 fare increase and changes to the federal transit subsidy are the primary source of the lower than projected rail ridership (in addition to one-time events such as Hurricane Sandy at the end of October and the unexpected Christmas Eve federal holiday). Federal employee furloughs resulting from Sequestration also had a modest negative impact during the fourth quarter.

Metrobus ridership finished the year with ridership above budget and only slightly below the previous year (and would have been slightly above if not for Hurricane Sandy). MetroAccess ridership finished the year below both budget and prior year actual, but higher average fares prevented any revenue loss.

Metrorail

Ridership in FY2013 was 4.3 percent lower than forecasted and 4.2 percent lower than in FY2012, with a total of 9.3 million fewer trips than budgeted. Approximately 1.8 million trips were lost as a result of one-time events in the second quarter (Hurricane Sandy and the Christmas Eve federal holiday), while strong attendance at Inauguration weekend events provided a bump of roughly three-quarters of a million trips to third quarter ridership.

Metrorail performance in the fourth quarter varied month-to-month. April was relatively strong as late-arriving Cherry Blossoms pushed up ridership, and Metro experienced its fourth-highest rail ridership day ever on April 10th, with 872,000 riders. However, May and June ridership returned to the below-budget trend of prior months, with June showing particularly weak ridership on weekends – down more than 12 percent compared to weekends in June 2012 and down almost 20 percent compared to budget.

Metrobus

Metrobus ridership in FY2013 was 2.3 million (1.8 percent) above budget and nearly identical to FY2012 (down less than 0.2 million). Metrobus did not experience the expected decline in ridership because the FY2013 economic environment (e.g.

construction jobs) outperformed projections. Metrobus was also affected by Hurricane Sandy and the unexpected Christmas Eve federal holiday in the second quarter; absent those events, Metrobus ridership would have finished slightly above FY2012.

MetroAccess

MetroAccess transported 49,000 fewer passengers in FY2013 as compared to FY2012. This represents a 2.4 percent reduction from last year and is 172,000 fewer trips than forecasted. The ridership reduction is primarily the result of a greater usage of fixed route service that is attributable to the success of our ongoing eligibility screening and travel training efforts.

The ridership experience in FY2013 will inform service and fare policy decisions in FY2014 and beyond. Metro will continue to focus on bus service changes to use our resources more effectively and better match service levels with demand to drive ridership growth. Metro will also consider fare product and pricing changes in FY2015 that will focus on encouraging ridership in modes, locations, and time periods where capacity is available.

Operating Expenses

FY2013 total operating expenses were \$1,525.6 million, \$50.5 million or 3.2 percent less than the \$1,576.1 million budget.

Labor Expenses

Total personnel expenses were under budget by \$45.5 million or 4.0 percent through the end of the fourth quarter.

Metro's recruitment efforts were largely successful in FY2013: 1,419 employees were hired during the year. Metro is achieving annual hiring goals. Metro experienced savings in salary and wage expenses primarily due to higher than budgeted attrition rates and the timing of hires during the year compared to the FY2013 budget. FY2013 salary and wage expenses were under budget by \$42.3 million or 6.0 percent. Fringe benefits were under budget by \$23.8 million or 6.6 percent, mainly due to the higher than anticipated vacancy rates throughout the year and lower than projected pension costs primarily resulting from favorable market conditions.

FY2013 operating budget overtime costs were \$4.5 million lower than the prior year overtime costs. In FY2013, Metro actively increased investment in railcar maintenance in order to improve reliability and prepare for the introduction of service on the Silver Line. Metro's overtime costs were above budget in part to advance this increased investment in railcar and other maintenance. As a result FY2013 budget savings in salaries, wages and fringes were partially offset by overtime costs, which were over budget by \$20.6 million or 34.8 percent. In addition to the increase in railcar maintenance, other key drivers of FY2013 overtime included vacancy coverage, leave coverage, severe weather, incident response, and special events.

Several initiatives are underway that will enhance the efficiency and effectiveness of workforce management and planning to improve personnel cost budgeting, enhance time reporting capability, and support the fatigue management initiative. To achieve these objectives, Metro is investing in a new human capital management system and a new rail scheduling system. Additionally, we are refining our analytical tools to monitor

vacancies, attrition, and overtime in order to provide actionable data and analysis to actively update workforce planning efforts in FY2014 and future budgets.

Non-Labor Expenses

Total non-labor expenses were under budget by \$5.0 million or 1.1 percent through the end of the fiscal year. Fuel, propulsion and utilities were under budget by \$22.3 million mainly due to \$8.7 million in savings from lower than budgeted diesel, propulsion and utility rates (rates secured with favorable hedges and fixed price contracts), \$7.8 million related to lower than budgeted volume of usage, and \$5.8 million in CNG tax credits, savings on lubricants, and other items. Part of this favorable result was offset by materials and supplies, which was over budget by \$27.1 million due to higher than budgeted bus and railcar maintenance expenses.

The inventory and warehousing functions have recently been re-organized and a new focus has been placed on inventory levels, commodity purchases, and more effective inventory planning. This past year Metro was successful in keeping part stock outages down to acceptable levels compared to the prior year and in maintaining the availability of parts for maintenance. In FY2014, Metro will focus on the planning and management of parts and inventory levels to be more effective and efficient.

Services were under budget by \$11.4 million mainly due to lower than projected utilization of paratransit services (\$7.8 million or 7.6 percent under budget) and other service contracts. Metro's enhanced travel training and conditional eligibility programs have successfully met the needs of the business. This next year the focus will be placed on maintaining an accessible system and, through the new business model, providing paratransit services in an even more effective and efficient manner.

FY2015 Budget Development

In October, staff will present a preview of the FY2015 budget and six-year financial plans. The FY2015 budget development is guided by the following principles:

- Align investment decisions with Momentum goals and multi-year business plans
- Recommend fare policy updates consistent with fare policy principles
- Enhance linkage between operating and capital investment plans
- Identify and implement opportunities to improve efficiency and effectiveness

FUNDING IMPACT:

No funding Impact. This presentation provides information on FY2013 financial performance.

TIMELINE:

Previous Actions	FY2013 Third Quarter Financial Report presented to the Committee (June 2013)
Anticipated actions after presentation	Revenue Forecast Update, Fare Policy Discussion and Preliminary FY2015 Budget Presentation (October 2013) Presentation of GM/CEO's FY2015 Budget and Request to initiate public hearings (November 2013) FY2014 First Quarter Financial Report (December 2013)

RECOMMENDATION:

Not applicable



Washington Metropolitan Area Transit Authority

Fiscal Year 2013 Operating Budget Performance Review

Finance and Administration Committee
September 12, 2014



FY2013 Operating Budget Results

OPERATING BUDGET (\$ in Millions)

	FY2012	FY2013		Variance FY13	
	Actual	Budget	Actual	\$	Percent
Revenue	\$ 809.9	\$ 874.0	\$ 853.6	\$ (20.3)	-2.3%
Expense	\$ 1,434.7	\$ 1,576.1	\$ 1,525.6	\$ 50.5	3.2%
Subsidy	\$ 624.8	\$ 702.1	\$ 672.0	\$ 30.2	4.3%
Cost Recovery	56.4%	55.5%	56.0%		



FY2013 Revenue and Ridership

FY2013 Ridership and Revenue

Mode	Measure	FY2012 Actual	FY2013 Actual	Change
Rail	Ridership	218 million	209 million	
	Revenue	\$569 million	\$605 million	
Bus	Ridership	132 million	132 million	
	Revenue	\$134 million	\$139 million	
Access	Ridership	2.1 million	2.0 million	
	Revenue	\$8 million	\$8 million	
Parking	Revenue	\$49 million	\$47 million	



FY2013 Operating Expenses

FY2013 Operating Expenses

Expense Category		FY2013 Budget	FY2013 Actual	Budget Variance
Labor	Salaries and Wages	\$765 million	\$743 million	
	Fringe Benefits	\$359 million	\$336 million	
Non-Labor	Fuel, Propulsion and Utilities	\$137 million	\$114 million	
	Services	\$214 million	\$203 million	
	Materials and Supplies	\$64 million	\$91 million	
	Insurance and Other	\$38 million	\$39 million	



FY2015 Budget Development

FY2015 Budget Development Principles

- Align investment decisions with Momentum goals and multi-year business plans
- Recommend fare policy updates consistent with fare policy principles
- Enhance linkage between operating and capital investment plans
- Identify and implement opportunities to improve efficiency and effectiveness



Next Steps

October 2013

- Revenue Forecast Update and Fare Policy Discussion
- Preliminary FY2015 Budget Presentation

November 2013

- Presentation of GM/CEO's FY2015 Budget
- Request to initiate public hearings

December 2013

- FY2014 First Quarter Financial Report

January 2014

- FY2015 Budget Discussion and FY2015-FY2020 Multi-Year Plan

February 2014

- Ridership, Revenue, and Fare Policy

March 2014

- Adoption of the FY2015 Budget and Six Year Capital Improvement Program

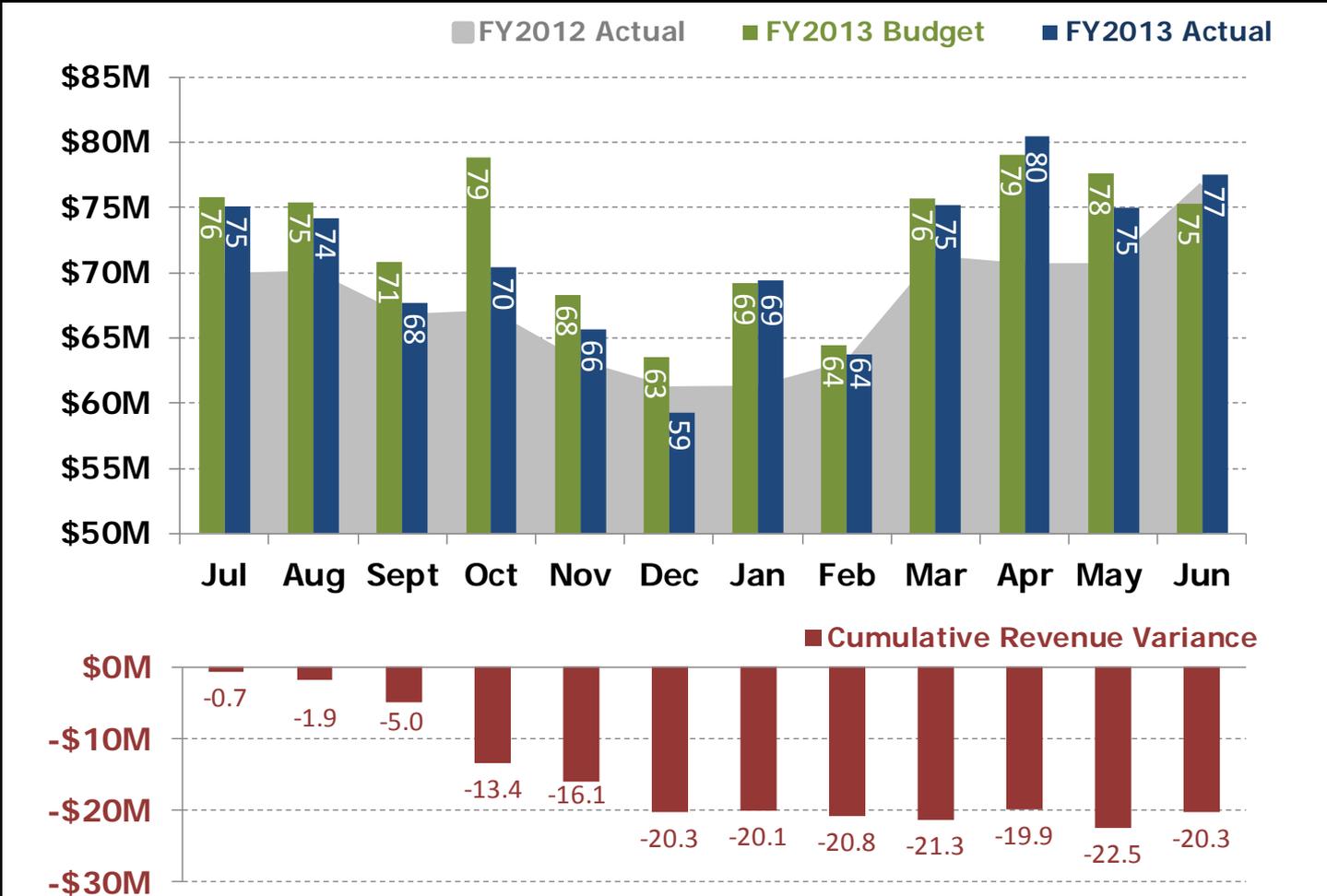


Appendix



FY2013 Operating Revenue

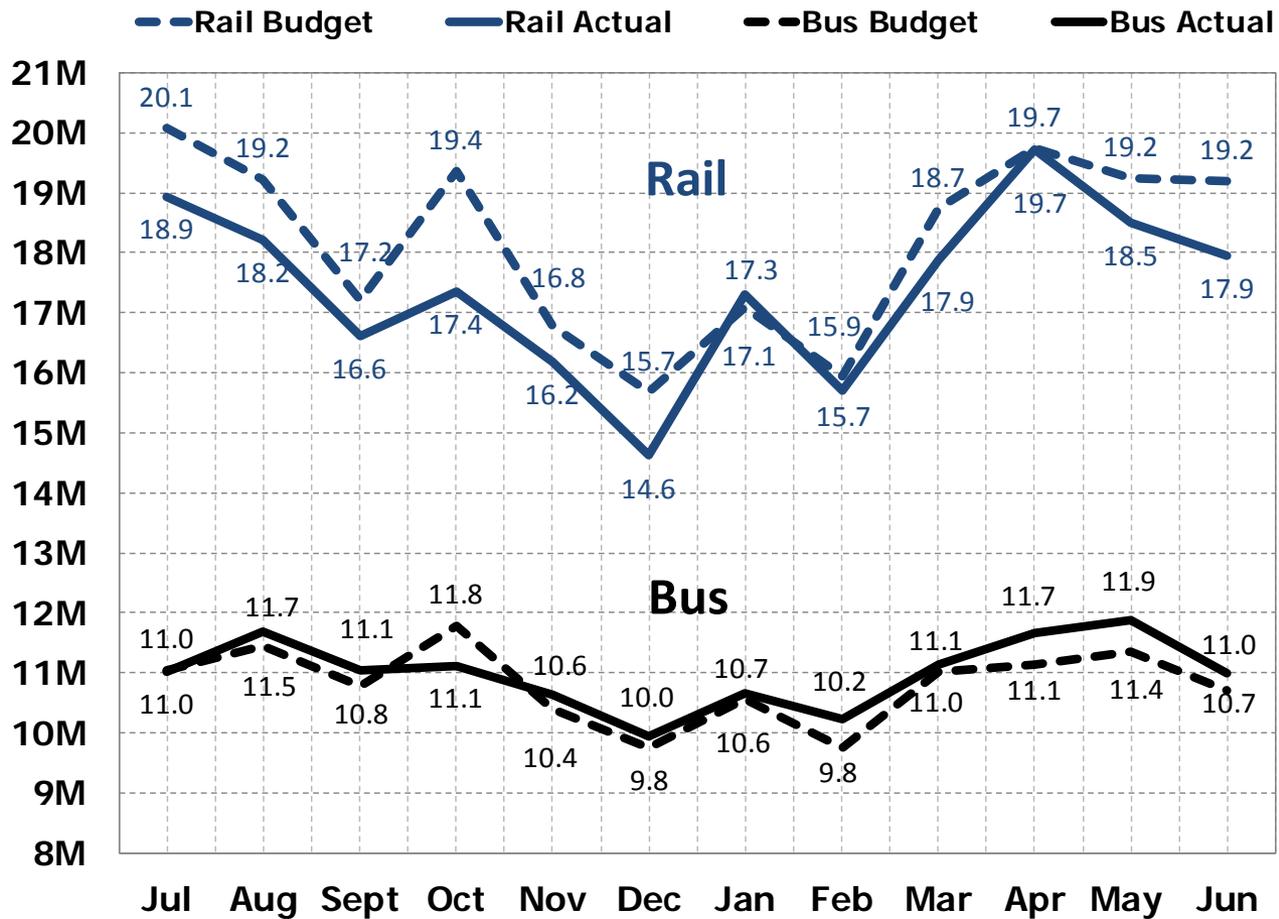
REVENUE (in Millions)





FY2013 Rail and Bus Ridership

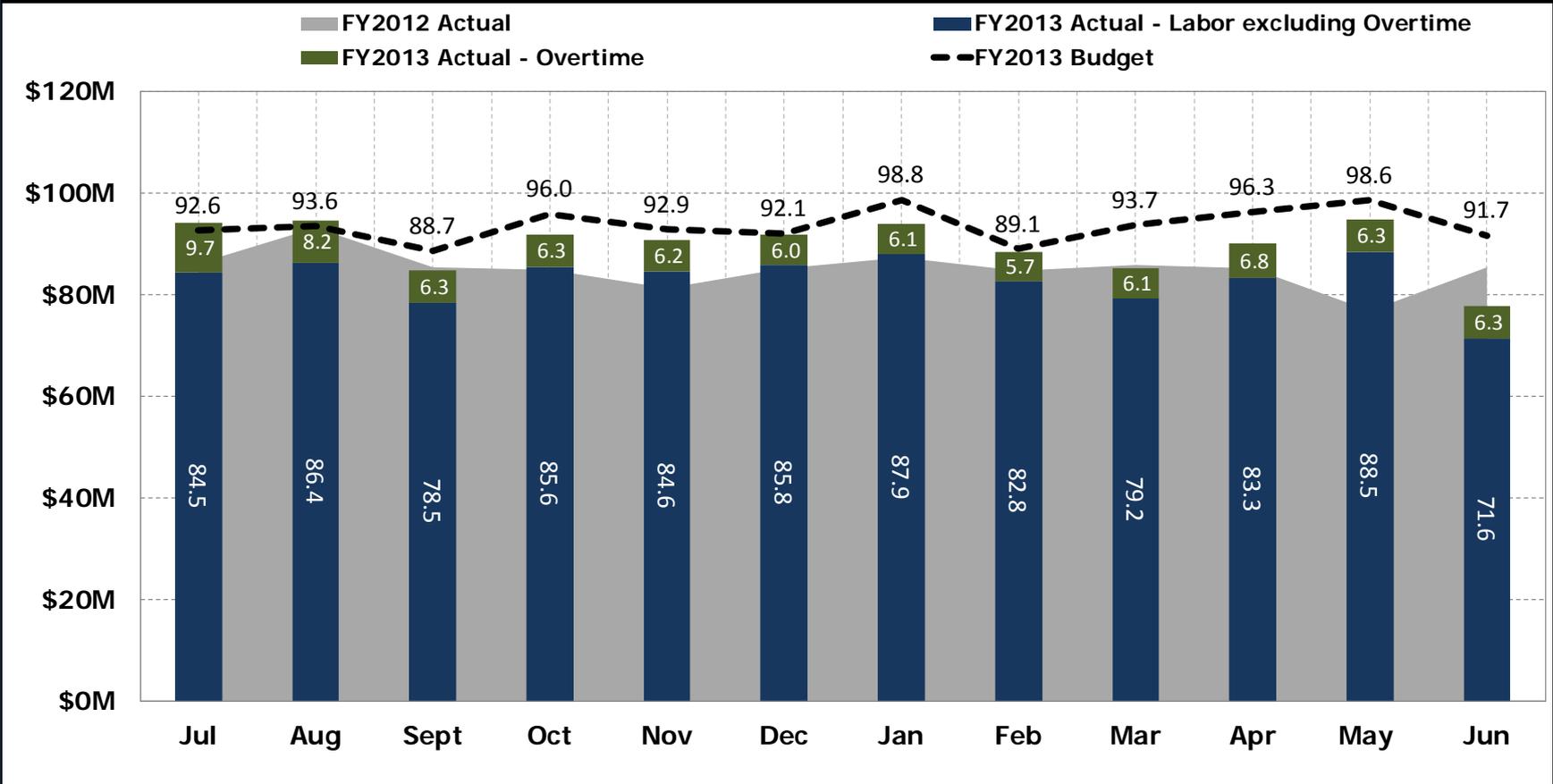
MONTHLY RIDERSHIP FOR RAIL AND BUS (in Millions)





FY2013 Labor Expenditures

FY2013 LABOR BUDGET VS ACTUAL (\$ in Millions)





FY2013 Non-Labor Expenditures

FY2013 NON-LABOR BUDGET VS ACTUAL (\$ in Millions)

