

Minutes
Finance, Administration and Oversight Committee
September 13, 2007

Mr. Graham called the meeting to order at 10:25 a.m. Present were:

Committee Members

Mr. Jim Graham, Chair
Mr. Marcell Solomon
Ms. Elizabeth Hewlett
Mr. Christopher Zimmerman
Mr. Peter Benjamin
Mr. Dana Kauffman
Mr. Emeka Moneme
Mr. Gordon Linton
Mrs. Catherine Hudgins
Mr. Anthony Giancola

Approval of Agenda

The agenda was approved as submitted.

Approval of Minutes

The minutes of April 12, and June 14, 2007 were approved as submitted.

Action Items

Mr. Graham requested consideration of Item III.D. of the agenda as the first item.

D. WMATA Fare and Revenue Policy

Mr. Catoe presented the FY09 fare proposal that provides for a January 2008 proposed fare increase of \$153 million, a debt service increase for capital projects of \$12 million and additional jurisdictional contributions of \$32 million, for a total of \$173 million. The fare increase is necessary to replenish prior year one-time-only actions for \$52 million, provide the same level of service/inflation for \$80 million, and service expansion for \$41 million. The proposed fare increase is \$0.45 for rail peak, \$0.40 for rail off-peak, \$0.60 for rail maximum fare, \$0.25 for bus, \$0.50 for MetroAccess and \$1 for parking. Delaying the fare increase until July 2008 will result in larger increases.

Mr. Graham commented that only the Board of Directors will make the fare decision and that no decision has been made to raise fares. Each of the Committee members

commented on the fare proposal. There was agreement on the need for additional information and discussion about a long-term fare policy, relief for the long-distance rail riders who would absorb about two-thirds of the proposed fare increase, improvements to service tied to increases in fares, and additional details about the FY09 operating budget.

Mr. Graham stated that he could not support moving the fare resolution to the Board of Directors. Mr. Kauffman made a motion to hold a special Finance, Administration and Oversight Committee meeting as soon as practical to address fare policy and related issues, Mr. Linton seconded, and the motion was unanimously approved.

A. Use of Operating Reserve and Refund of Jurisdictional Balances On Account

Mr. Harcum requested Committee approval of a resolution to use the authorized contingency reserve, totaling \$10.4 million, to fund a portion of the FY07 operating budget deficit, expected to total \$19.9 million. Committee members from all three jurisdictions requested that jurisdictional balances totaling \$8.3 million be held on account. Mr. Benjamin made a motion to authorize use of the contingency reserve, Mr. Zimmerman seconded, and the motion was unanimously approved.

B. Capital Improvement Program Reprogramming

Mr. Harcum requested Committee approval of a resolution to increase the budgets for several Capital Improvement Program (CIP) projects totaling \$68 million, finance these projects through a combination of cost savings and debt and add two additional non-Metro Matters projects (the Southeastern Bus Garage for \$100 million and rail power systems improvements for \$25 million) to the CIP totaling \$125 million and issue debt to pay for these projects. Mr. Harcum reviewed the history of Metro Matters debt (the subject of agenda item III.C.), and the need to secure \$923 million in debt now due to cash flow needs. Mr. Linton made a motion to go forward with \$767 million of Metro Matters debt, and Mr. Zimmerman seconded the motion. During further discussion, the motion was withdrawn.

C. Issuance of Metro Debt

Mr. Harcum requested Committee approval of a resolution to secure \$767 million in long-term debt for the Metro Matters program and \$156 million for non-Metro Matters projects for a total of \$923 million. Mr. Harcum reviewed the history of Metro Matters debt (related to agenda item III.B.), and the need to secure \$923 million in debt now due to cash flow needs. Mr. Benjamin asked about the latest update to the Metro Matters Integrated Financial Plan, and asked about options available for issuing debt. Mr. Linton made a motion to go forward with \$767 million of Metro Matters debt, and Mr. Zimmerman seconded the motion. During further discussion, the motion was withdrawn.

E. Award of Performance Energy Engineering Services

Mr. Woodruff requested Committee approval of a resolution to award a contract for consulting services to develop a comprehensive plan to reduce energy consumption in Metro facilities. Potential savings of \$4–\$5 million annually could be achieved as a result of an Energy Savings Performance Plan. Mr. Zimmerman made a motion to approve the resolution, Mr. Moneme seconded, and the motion was unanimously approved.

F. Procurement Streamlining Initiatives

Mr. Griswold requested Committee approval of a resolution recommending procurement streamlining initiatives to improve business functions and implement best procurement business practices. Mr. Griswold reviewed the changes to Board policy, and discussed controls and checks and balances in the proposed practices. In response to a question, Ms. Lew stated that the Inspector General's office has no issues with the proposed procedures. Mr. Zimmerman made a motion to approve the resolution, Mr. Moneme seconded, and the motion was approved. Mr. Graham voted no.

Information Items

A. FY07 Monthly Operating Financial Reports (May and June 2007)

Mr. Harcum stated that FY07 ended \$19 million over budget. Expenses were just one-half of one percent over budget, but ridership growth was 1 percent, which contributed to the budget overrun.

B. FY07 Quarterly CIP Financial Report (Fourth Quarter)

The quarterly report was not discussed.

The meeting was adjourned at 12:30 p.m.

Minutes
Special Finance, Administration and Oversight Committee
September 27, 2007

Mr. Graham called the meeting to order at 9:25 a.m. Present were:

Committee Members

Mr. Jim Graham, Chair
Mr. Marcell Solomon
Ms. Elizabeth Hewlett
Mr. Christopher Zimmerman
Mr. Peter Benjamin
Mr. Dana Kauffman
Mr. Emeka Moneme
Mr. William D. Euille
Mr. Marion Barry
Mr. Gordon Linton
Mrs. Catherine Hudgins
Mr. Anthony Giancola

Approval of Agenda

The agenda was approved as submitted.

Information Items

A. Detailed Review of FY09 Operating Budget Forecast Revenues and Expenses

Mr. Harcum detailed the \$109 million net new funding needed to balance the FY09 operating budget. This includes providing the same level of services as in FY08, accounting for one-time only revenue, minimal added service, no operating reserve or new debt service, and an assumption of a 6.5 percent subsidy increase. Mr. Harcum reviewed detailed revenue and expense estimates and responded to a number of questions. Mr. Graham inquired about current subsidy allocation levels and Mr. Harcum reviewed each jurisdiction's subsidy level for FY08. Mr. Barry inquired about outsourcing parking, and Mr. Catoe responded that staff is analyzing six expressions of interest recently received. Mr. Benjamin inquired about operating budget savings realized from the abolishment of 254 positions. Mr. Barry requested a breakdown of actual FY07 versus proposed FY09 overtime costs by scheduled overtime, special reimbursable events overtime and overtime due to vacancies.

Mr. Euille inquired about worker's compensation and liability costs, and about the possibility of selling available real estate.

B. Fare Policy and Proposal Consideration

Mr. Harcum posed two policy decisions for the Committee: how to increase fares and when to increase fares. Fare increases could be proportionate or market-based, and increases could be proposed as needed, by the calendar, or indexed. Mr. Harcum described the different kinds of fare increases. Mr. Catoe stated that the proposal on fare policy presented a framework for further direction to the staff, and that indexing of fares is independent of the FY09 proposed fare increase. Mr. Kauffman made a motion to direct the General Manager to proceed with developing a proposed fare policy using the most appropriate indexes accompanied by other factors such as service standards. Mr. Euille seconded the motion. A discussion followed on fare policy considerations. The motion was approved, with Mr. Zimmerman voting no.

A motion to adjourn failed. Mr. Catoe discussed four fare proposals based on proportional fare increases with options for fares to increase in January 2008 and July 2008, and indexing future fare increases based on a transportation index. Mr. Barry requested analysis of market rate parking fees and bus fares. A discussion followed on the fare increase process, fare policy considerations, and the need to conduct public hearings in the near future. Mr. Kauffman requested information on the percentage increases proposed for bus riders, long-distance rail riders with parking and short-distance rail riders with parking. Mr. Graham added a request for costs per mile and subsidy per mile.

The next Finance, Administration and Oversight Committee meeting on October 11, 2007 will consider the additional information requested and public hearings on fare proposals. A special Board of Directors meeting will follow.

The meeting was adjourned at 11:50 a.m.