

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

☒ Action ☐ Information

MEAD Number:
202170

Resolution:
☒ Yes ☐ No

TITLE:

FY20 Budget Update and FY21 Budget Revision

PRESENTATION SUMMARY:

Staff will review the FY2020 and FY2021 Operating Budgets in light of COVID-19 pandemic and recommend budget adjustments to the FY2021 Operating Budget to balance the budget in light of the effects of the COVID-19 pandemic on revenues and expenses. In addition, staff will provide an update to Capital Budget forecasts for FY2020 and FY2021.

PURPOSE:

Request Board approval to amend the FY2021 Budget, including deferring FY2021 fare and service changes for six months, to balance the budget in light of the effects of the COVID-19 pandemic on revenues and expenses and reduce subsidy needs. Staff will also provide updates on COVID-19 impacts to Metro's essential infrastructure investments in safety, service reliability, and state of good repair.

DESCRIPTION:

Identification of Parties with an interest in Metro's FY2021 Budget:
The following vendors are Metro's top non-personnel multi-year contractors through FY2020 and to date (\$500M). The vendors have contracts spanning through FY2021 as well.

- C3M Power Systems, LLC
- Gannett Fleming-Parsons Joint Venture II
- Kawasaki Rail Car Inc
- Kiewit Infrastructure Company
- Motorola Solutions Inc.
- Mott MacDonald I&E, LLC
- Mythics, Inc.
- New Flyer of America, Inc.
- Potomac Yard Constructors
- Transdev Services, Inc.

A full list of 2020 Procurement Awards is available at:

<https://www.wmata.com/business/procurement/solicitations/index.cfm#main-content>

Metro has labor agreements with the following collective bargaining units:

- Fraternal Order of Police/Metro Transit Police Labor Committee, Inc. (FOP)
- The Office and Professional Employees International Union Local No.2, AFL-CIO (Local 2)
- Local 639, International Brotherhood of Teamsters Law Enforcement Division (Local 639)
- Local Union 689 of the Amalgamated Transit Union, AFL-CIO (Local 689)
- Local 922, International Brotherhood of Teamsters (Local 922)

Key Highlights:

- The ongoing COVID-19 pandemic has significantly reduced Metro's ridership and revenue which are both expected to be significantly below budget going into FY2021
- In light of these pressures, staff propose deferring implementation of previously approved service and fare adjustments for six months, and taking additional management actions
- The proposed changes would reduce jurisdictional subsidy contributions by \$135 million and require Board approval and amendment of the FY2021 Budget
- The Capital program will be revised to:
 - Address personal safety requirements
 - Accelerate projects that can leverage low ridership/station closures
 - Accelerate safety and state of good repair projects while maintaining worker safety
- Staff is prepared to respond to Federal stimulus program if one materializes
- No revision to FY2020 or FY2021 Total Capital Budget is proposed at this time

Background and History:

On April 2, 2020, the Board approved the FY2021 Budget which included a \$2.08 billion operating budget and total subsidy requirements of \$1.25 billion. The budget included fare and service initiatives developed prior to the effects of the COVID-19 pandemic. As a result, budgeted revenue and expense amounts need to be adjusted to ensure that the Authority is able to balance its budget amidst a greatly reduced ridership outlook and a constrained funding environment.

Discussion:

Metro's ridership and associated revenues have seen significant declines in late FY2020 with Metrorail and Metrobus ridership decreasing by 94 and 78 percent respectively. Metro's recovery, like that of the overall region, is expected to be gradual as economic activity begins to be restored in phases.

As a result of the COVID-19 impact, Metro estimates that FY2021 revenue will be approximately \$386 million, a decrease of \$438 million (53 percent) below the previously approved FY2021 budget. Due to the diminished ridership and revenue outlook, the recommended revised FY2021 Budget would defer all fare changes originally approved on April 2, 2020 for six months.

To reduce expenses, staff proposes a combination of measures that includes a service recovery plan and additional management actions. The service recovery plan will right-size service levels for current demand and will phase back service as conditions in the region warrant, resulting in an estimated \$20 million savings. Staff also proposes a six month deferment of the all fare and service changes originally approved on April 2, 2020. Additional Management actions through the implementation of a vacancy reduction program and optimizing materials and supplies usage would result in an additional \$25 million expense reduction. Combined, these initiatives would reduce the subsidy requirement by \$45 million.

Based on the projections, with the expected revenue decline, and the proposed expense reductions, Metro expects an additional funding need of \$412 million. At the same time, the funding jurisdictions have indicated similar budget pressures as COVID-19 has impacted local tax revenues. To mitigate this impact, staff proposes utilizing \$546.3 million of CARES Act funding in FY2021 to close Metro's budget shortfall and provide a one-time total subsidy credit of \$135 million allocated back to the funding jurisdictions, as compared to the original FY2021 budget approved on April 2, 2020.

Capital projects are moving forward again after personal protection measures recommended by the CDC were put in place in response to the COVID-19 outbreak. It is anticipated that these precautions, which include split shifts, social distancing, face coverings, and gloves will increase project costs while also delaying project delivery. Some projects, however, cannot move forward in compliance with CDC guidance. On the other hand, some projects that require station shut downs may be accelerated to take advantage of low ridership. After accounting for the increases and decreases in project delivery, it is anticipated that the FY20 Budget spend will be \$67 million under budget due to COVID-19 impacts on project delivery. Delayed activities are now expected to occur in FY2021.

FUNDING IMPACT:

FY 2021 Operating Budget is reduced from \$2.078 billion to \$2.052 billion to reflect \$438 million in revenue decrease due to historic low ridership and forecasted \$135 million decrease in total jurisdictional contributions with a credit of CARES Act funding.

TIMELINE:

Previous Actions	April 2020 – FY2021 Budget approved by Board of Directors – Board approval of CARES Act FY2020 allocation to jurisdictions
Anticipated actions after presentation	July 2020 - FY2021 begins January 2020 - Implementation of FY2021 fare and service changes

RECOMMENDATION:

Approval to amend the FY2021 Budget, including deferring FY2021 fare and service changes for six months, to balance the budget in light of the effects of the COVID-19 pandemic on revenues and expenses and reduce subsidy needs.

SUBJECT: AMENDMENT OF FISCAL YEAR 2021 OPERATING BUDGET AND CAPITAL BUDGET

RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WHEREAS, Pursuant to Resolution 2020-09, the Board adopted the fiscal year (FY) 2021 Operating Budget and Capital Budget, adopted service and fare changes, and reserved the right to reconsider implementation of various initiatives based on Metro's finances; and

WHEREAS, The Board wishes to amend Resolution 2020-09 because the coronavirus pandemic health emergency and various stay-at-home orders have adversely impacted regional economies and have resulted in significant Metro service and operational changes; and

WHEREAS, Further, the Board wishes to amend Resolution 2020-09 in light of the availability of the Coronavirus Aid Relief and Economic Security Act of 2020 (CARES Act) funding;

NOW, THEREFORE, be it

RESOLVED, That Attachments C (FY 2021 Operating Budget) and D (FY 2021 Summary of State/Local Operating Requirements) to Resolution 2020-09 are deleted in their entirety and replaced with new Attachments C and D hereto that reduce the FY 2021 Operating Budget from \$2.078 billion to \$2.052 billion, and reduce the total jurisdictional contributions from \$1.246 billion to \$1.112 billion with a credit of CARES Act funding, respectively; and be it further

RESOLVED, That implementation of the service changes and fare changes in Attachments E (service changes) and F (fare changes) to Resolution 2020-09 are deferred for six months from July 1, 2020, such that said service changes and fare changes will commence on or about January 1, 2021; and be it further

RESOLVED, That the Board reserves the right to further defer the service changes and fare changes in Attachments E (service changes) and F (fare changes) to Resolution

2020-09, as may be necessary and appropriate in light of the coronavirus pandemic health emergency and Metro's finances; and be it finally

RESOLVED, That this Resolution shall be effective 30 days after adoption in accordance with § 8(b) of the WMATA Compact.

Reviewed as to form and legal sufficiency,

/s/

Patricia Y. Lee
Executive Vice President and General Counsel

WMATA File Structure No.:
4.2.2. Fiscal Year budgets

PROPOSED

Attachment C



FY2021 REVISED OPERATING BUDGET

<i>(Dollars in Thousands)</i>	Total with REIMB	Subsidized Total	<u>BUS</u>	<u>RAIL</u>	<u>ACCESS</u>	<u>REIMB</u>
REVENUES						
Passenger	\$281,376	\$281,376	\$27,683	\$249,085	\$4,607	\$0
Parking	\$20,031	\$20,031	\$0	\$20,031	\$0	\$0
Advertising	\$33,342	\$33,342	\$8,326	\$25,016	\$0	\$0
Joint Development	\$14,528	\$11,423	\$0	\$11,423	\$0	\$3,106
Fiber Optics	\$14,766	\$14,083	\$0	\$14,083	\$0	\$684
Other	\$29,607	\$25,630	\$2,584	\$23,046	\$0	\$3,977
Total Revenues	\$393,649	\$385,883	\$38,593	\$342,683	\$4,607	\$7,766
EXPENSES						
Personnel	\$1,373,690	\$1,368,019	\$534,090	\$820,226	\$13,704	\$5,671
Services	\$399,583	\$397,912	\$70,342	\$158,209	\$169,361	\$1,671
Materials & Supplies	\$100,742	\$100,317	\$27,463	\$72,092	\$762	\$425
Fuel (Gas/Diesel/CNG)	\$26,939	\$26,939	\$17,553	\$3,684	\$5,702	\$0
Utilities & Propulsion	\$100,793	\$100,793	\$11,645	\$88,378	\$770	\$0
Casualty & Liability	\$32,260	\$32,260	\$8,786	\$22,890	\$584	\$0
Leases & Rentals	\$11,036	\$11,036	\$2,657	\$7,394	\$985	\$0
Miscellaneous	\$6,505	\$6,505	\$780	\$5,589	\$136	\$0
Total Expenses	\$2,051,549	\$2,043,783	\$673,317	\$1,178,462	\$192,004	\$7,766
Gross Subsidy	\$1,657,899	\$1,657,899	\$634,724	\$835,779	\$187,396	\$0
CARES Act	(\$546,315)	(\$546,315)	(\$150,248)	(\$371,034)	(\$25,034)	\$0
Net Subsidy	\$1,111,584	\$1,111,584	\$484,476	\$464,745	\$162,363	\$0

ATTACHMENT D: FY2021 Approved Operating Subsidy and Forecasted Credit and Net Subsidy

	FY2021 Approved Subsidy¹	Subsidy Credit	Net Subsidy	% Change from Approved
District of Columbia	\$447,971,141	\$48,811,720	\$399,159,420	(10.9%)
Montgomery County	\$205,730,298	\$22,123,248	\$183,607,050	(10.8%)
Prince George's County	\$270,146,243	\$29,557,725	\$240,588,518	(10.9%)
Maryland Subtotal	\$475,876,541	\$51,680,973	\$424,195,568	(10.9%)
City of Alexandria	\$51,655,824	\$5,565,233	\$46,090,591	(10.8%)
Arlington County	\$86,497,475	\$9,184,239	\$77,313,237	(10.6%)
City of Fairfax	\$2,993,482	\$317,152	\$2,676,330	(10.6%)
Fairfax County	\$172,285,295	\$18,412,445	\$153,872,850	(10.7%)
City of Falls Church	\$3,522,838	\$385,236	\$3,137,603	(10.9%)
Loudoun County	\$5,506,922	\$368,403	\$5,138,519	(6.7%)
Virginia Subtotal	\$322,461,837	\$34,232,708	\$288,229,129	(10.6%)
Total Contribution	\$1,246,309,519	\$134,725,401	\$1,111,584,118	(10.8%)

1. Approved April 2, 2020