Finance & Administration Committee

Information Item IV-A

November 3, 2016

GM/CEO FY2018 Proposed Operating Budget

Washington Metropolitan Area Transit Authority

Board Action/Information Summary

○ Action ◉ Information	MEAD Number: 201808	Resolution: ○ Yes ◉ No

TITLE:

GM/CEO FY2018 Proposed Operating Budget

PRESENTATION SUMMARY:

Present the General Manager/Chief Executive Officer's (GM/CEO) proposed FY2018 operating budget for Metro.

PURPOSE:

This presentation includes forecasts of revenue and expense and describes the various actions necessary to ensure a balanced budget, including management actions to reduce headcount and expense; utilization of Federal Transit Administration (FTA) grant funds for eligible preventive maintenance (PM) expenses; proposed changes to fares on Metrobus, Metrorail, and MetroAccess, as well as to parking fees; proposed rationalizations of Metrobus and Metrorail service to correspond to current lower levels of demand; and increases in jurisdictional contributions.

The GM/CEO will present the proposed FY2018 capital budget and FY2018-2023 Capital Improvement Program (CIP) in December. As part of that item, staff will request Board approval for the required public hearing and associated public participation plan (PPP) activities for both the operating and capital budget proposals. The hearing and PPP activities will take place in January and February, ahead of a planned adoption of the operating and capital budgets in March 2017.

DESCRIPTION:

Key Highlights:

- The FY2018 budget funds key safety improvements, improves train and track reliability, and enhances the customer experience. These actions are critical to reversing declining ridership and building a financially sustainable future for Metro.
- Balancing the FY2018 operating budget will require shared sacrifice. The GM/CEO’s budget closes the gap through a significant reduction in Metro employee headcount and other management actions; right-sizing of bus and rail service to current ridership levels; a fare increase; and an increase in the funding contribution from the local jurisdictions.
- The total proposed operating budget for FY2018 is $1.817 billion. The budget is funded with $841 million of projected operating revenues, primarily from passenger fares, parking fees, and advertising revenues, and with $976 million of jurisdictional contributions.
- In December, staff will request authorization from the Board to hold a public

hearing (along with other public participation activities) on the proposed fare and service changes.

Background and History:

The FY2018 budget process kicked off in July of 2016 with a strategy session examining Metro's performance metrics compared to various peers, followed by a workshop in September looking at current trends in transit ridership and regional economic performance. In October, staff conducted an operating budget prep session that presented information on preliminary projections for FY2018 expenses, revenues, and jurisdictional contributions to the Committee. This presentation set forth a number of key considerations – including drivers of expense growth, fare policy, service reductions, and use of Federal Transit Administration (FTA) grants for preventive maintenance activities – for Board discussion and feedback ahead of the formal budget proposal in November.

The current schedule anticipates FY2018 budget adoption in March 2017 in order to provide sufficient time to fully incorporate any Board-approved changes to fares, service, or other major Authority operations by July 1, 2017 (the beginning of FY2018).

Discussion:

Overview

The General Manager's three priorities for Metro are safety, service reliability, and financial responsibility, with safety as the top priority. These priorities guided the development of the FY2018 proposed budget and informed every key decision. Metro must rebuild trust with both its riders and its funding jurisdictions, and this proposed budget provides the resources to achieve the priorities and continue the rebuilding effort.

Metro faces a major funding challenge in FY2018 due to both expense growth and to declining ridership that is significantly reducing fare revenues. The current ridership decline is partly due to service quality and reliability as well as the SafeTrack program. However, the ridership decline is also attributable to other factors which Metro cannot control, such as growth in telecommuting, the low price of gasoline, and the expansion of alternative transportation options.

In October, staff presented an estimated FY2018 operating budget gap of $275 million based on preliminary forecasts of revenue and expense. The three primary components of that budget gap were expense growth, ridership and fare revenue decline, and the elimination of FTA grant support for eligible preventive maintenance (PM) expenses. In finalizing the proposed budget for November, management has updated the revenue and expense forecasts, and the gap has increased by approximately 5 percent to $290 million. While the gap due to FTA grant funding is unchanged at $100 million, revenue forecasts have weakened as a result of ridership uncertainty. As a result, the ridership/revenue gap for FY2018 has increased from $59 million to $103 million. In order to partially offset this change, management reduced baseline expense growth by $29 million.

Financial Accountability: Management & Labor Actions

Total Metro employee headcount has increased substantially in recent years. From less than 11,000 in FY2010, budgeted headcount has grown to just over 13,000 in FY2017. These increases have supported a number of important initiatives, including the expanded capital program to rehabilitate and maintain the system; the opening of Silver Line Phase 1; the adoption of industry-leading fatigue management policies; and the expansion of safety assurance, quality control, and compliance activities in response to FTA and NTSB recommendations.

However, the current low ridership levels and constrained jurisdictional funding cannot support this level of headcount. Earlier this year the GM/CEO directed that 500 positions be eliminated and the fiscal impact of this reduction will be fully realized in FY2018. The FY2018 proposed budget includes a reduction of an additional 500 positions – 200 primarily in various management, administrative, and back-office operations throughout the Authority (some of which will be achieved through consolidation of existing functions), and 300 in operations personnel (operators, mechanics, supervisors, and administration) as a result of right-sizing bus and rail services (see below for additional information). Taken together, these 1,000 positions represent an eight percent reduction in total Metro headcount.

In addition to reducing headcount, the GM/CEO has also implemented or proposed other actions and initiatives to reduce costs and operate Metro more efficiently. These include changes to healthcare for non-represented employees (raising premiums, deductibles, and co-pays) that bring the benefits program in line with other public employees in the region; tighter controls on absenteeism and workers' compensation; and evaluation of other specific functions for potential outsourcing.

Finally, while the budget does include certain contractually required step increases for labor, given the current financial challenges facing Metro and the local jurisdictions, it assumes no general wage increase in FY2018. This presents a risk for Metro and the jurisdictions given potential negotiation outcomes.

Revenue

A primary cause of Metro's current budget challenge is the decline in rail ridership. Total rail ridership peaked in 2009 and has stagnated or declined each year since then. As noted above, some of the broader economic and demographic causes of this decline are outside of Metro's control, but customers have also responded to service quality and reliability challenges by finding alternative travel options. Improving the customer experience – particularly service reliability – is critical to reversing these trends.

The financial impact of declining ridership and fare revenue is exacerbated for the jurisdictions because Metrorail has historically had a high farebox recovery ratio, such that jurisdictions have typically paid about half of the total cost of operating Metro services.

Actual rail system ridership in the first quarter of FY2017 was down 13 percent compared to last year and 15 percent compared to budget. These lower levels of ridership are expected to continue with SafeTrack through the third quarter of FY2017. Based on this ridership forecast, the current year-end operating revenue projection for FY2017 is approximately $800 million, which will be $100 million below budget. While some riders who have reduced their trips on Metro due to specific SafeTrack surges are expected to return, the overall trends are still challenging, and it will take time to restore customer trust and confidence that reliability has improved. Therefore, the base proposed FY2018 revenue projection remains flat from the current FY2017 forecast.

One bright spot for revenue despite the ridership decline is advertising. Digital ad displays have proven to be popular with both riders and advertisers, and Metro anticipates installing 150 new digital ad displays that will increase total ad revenue. Metro also continues to bring in non-passenger revenue from real estate and joint development, fiber optic leases, and other miscellaneous sources to help offset fares and jurisdictional contributions.

Fare Increases

The Board's policies with respect to fare changes are laid out in Resolution 2007-47, which recommends biennial fare increases linked to inflation, and Resolution 2010-66, which identifies seven policy principles to guide Board decision-making on fares. The last of those seven principles is an overarching statement about the importance of generating adequate revenue while maximizing ridership.

Metro's last broad-based fare increase occurred in July 2014 as part of the FY2015 budget. In FY2017, the Board decided against increasing fares, primarily due to ridership challenges and customer dissatisfaction with service quality and reliability. However, as part of the FY2018 proposed budget, the GM/CEO has proposed a fare and fee increase. While any increase will be unpopular with riders and is likely to result in a decline in total ridership, the necessity of generating adequate revenue must be balanced against the ridership impact.

The proposed fare increase is expected to generate approximately $21 million in net additional revenue, after accounting for a loss of approximately 10 million total trips as a result of the increase. The proposed changes include:

- All base fares increase to at least $2.00
- Bus fare and minimum off-peak rail fare increase by $0.25 to $2.00
- Express bus fare increase by $0.25 to $4.25
- All peak rail fares increase by $0.10 such that the peak boarding charge increases from $2.15 to $2.25, and the maximum fare increases from $5.90 to $6.00
- The base daily parking fee increases by $0.10 at all WMATA parking facilities
- The MetroAccess fare structure would remain at twice the fastest comparable fixed-route fare. The minimum fare would increase along with the base bus fare from $3.50 to $4.00. The maximum fare would remain at $6.50.

Metro will also continue its enhanced fare enforcement activities through the Metro Transit Police Department (MTPD) to ensure that all riders are contributing their fair share to the operations of Metro.

Rightsizing Rail and Bus Service

Metrorail ridership has declined substantially from its peak in FY2009, with average daily ridership down from 750,000 trips to 660,000 trips in FY2016 and even lower in FY2017 as a result of SafeTrack service interruptions. Yet Metro is operating more scheduled service now than in FY2009, given the opening of the Silver Line in July 2014 and the adoption of more robust service standards in October 2014 requiring minimum six-minute scheduled headways in the peak (three minutes in core interlined stations) at all stations except Arlington Cemetery.

Given current ridership levels, Metro can right-size its rail service and still remain within Board-approved standards for crowding as measured by average passengers per car (PPC) during the peak hour. The proposed changes to rail service are described below.

Peak: Widen weekday peak headways
The proposal increases scheduled peak period headways on the Orange, Silver, Green, Yellow, and Red Lines from six to eight minutes, and trains would operate every 2-4 minutes at stations in the system's core. Scheduled headways on the Blue Line would be reduced from twelve minutes to eight minutes, and the Rush Plus Yellow Line service would be eliminated.

Off peak: Widen headways and turn back Red Line
The proposed off-peak schedule changes recognize both the reduced ridership of recent years and also the reduced service levels that must be operated during the ongoing maintenance efforts that will be occurring during midday, evening, and weekend periods. The proposal increases midday, early evening weekday, and Saturday headways from 12 to 15 minutes. The proposal also reinstitutes the "Grosvenor turnback" during off-peak times, such that every other Red Line train to Shady Grove terminates at Grosvenor.

Altogether, the proposed rail service changes are expected to result in a net subsidy savings of approximately $12 million, resulting from about $20 million in reduced expenses (primarily operator labor, propulsion, and maintenance) offset by an estimated $8 million in lower fare revenue from reduced ridership.

Metrobus Service Changes
Metrobus presents a different challenge for right-sizing. Routes or lines that have low ridership can be restructured or discontinued; routes that are far away from a garage and expensive to operate (i.e., high amounts of deadhead time) can be discontinued or potentially transferred to a local service provider; and routes with high frequency that require significant numbers of buses and operators can potentially be "thinned out" to reduce costs while still maintaining coverage.

The FY2018 proposed budget includes the elimination or transfer of 14 Metrobus lines among those in the system with the highest subsidy per passenger. A list of these proposed service eliminations/transfers is included in the presentation. In summary, a total of $17 million in subsidy ($19.5 million of operating costs offset by $2.5 million of lost revenue) would be reduced by the elimination or transfer of these lines.

Between the bus and rail service reductions, ridership would decline by an estimated 5 million trips annually. Combined with the impacts of the proposed fare increases, Metro ridership would decline by a total of approximately 15 million trips. Total employee headcount (primarily bus and rail operators, mechanics, supervisors and administration) would be reduced by approximately 300.

FTA Grants for Maintenance

FTA guidance specifically allows transit agencies to utilize federal grant funds for certain eligible “preventive maintenance” (PM) expenses that would otherwise be funded through the operating budget. WMATA Board policy had generally limited FTA grants for PM to approximately $31 million annually prior to FY2017. For FY2017, the Board increased the amount of eligible PM expenses that could be funded with FTA grants from $31 million to $95 million.

For FY2018, the budget proposal includes the use of $60 million of FTA grant funds for eligible PM expenses. Management intends to decrease the use of FTA grant funds in the operating budget over two years, so that by FY2019, only the traditional $31 million of grant funding would be used for this purpose. However, it is important to note that the use of FTA grant funds for PM will not materially change the total amount of funding (operating plus capital) that the jurisdictions need to invest in WMATA over the long term.

FY2018 Budget Summary

The proposed FY2018 budget by major expense and revenue category is included in the presentation. Total proposed expenses of $1.817 billion are matched by operating revenues of $841 million and jurisdictional contributions of $976 million. This contribution amount represents an increase of $130 million or 15 percent over FY2017, when the jurisdictional contributions were held flat at $845 million (the same as FY2016).

The allocation of this contribution by jurisdiction and mode is also included in the presentation. This allocation is preliminary, particularly for Metrobus, and does not reflect specific service changes that may impact the allocation of the Metrobus contribution among the jurisdictions. The allocation formula will be fully updated with the latest bus miles/hour projections prior to the adoption of the budget in the spring. The preliminary allocation does include the impacts of the recently completed 2016 Metrorail Passenger Survey that demonstrates shifts in average daily ridership by jurisdiction.

Cost Drivers

While personnel costs are declining due the unprecedented reduction in headcount, total non-personnel costs in the FY2018 proposed budget are anticipated to increase by approximately $64 million or 14 percent. The major drivers of this growth include:

- $48 million increase in Services including safety and reliability improvements, contract cost inflation, paratransit, NTSB/FTA and audit/financial compliance requirements, reimbursable operating activities, and new facility maintenance
- $36 million increase in Materials & Supplies including railcar parts and safety and reliability improvements
- $16 million decrease in energy due to lower rates and service reductions
- $6 million decrease in casualty and liability insurance premiums
- $3 million decrease in capital indirect cost allocation credit

Three Year Outlook

A three-year order-of-magnitude outlook on expenses, revenues, and jurisdictional contributions is provided as an attachment. The forecast assumes that ridership will begin growing again by FY2019, albeit slowly, as the current investments in new railcars, SafeTrack, and other rehabilitation projects lead to improved reliability and quality of service. The revenue forecast also assumes that the Silver Line Phase 2 to Dulles Airport and Loudoun County will open for revenue service in FY2020 and that Metro will increase fares in FY2018 and again in FY2020, consistent with the every-other-year Board policy. As a result, passenger fare revenues are expected to increase by 2-3 percent annually in FY2019 and FY2020.

However, expenses will continue to increase as well. The forecast assumes that baseline costs will increase by approximately four percent and the additional operating and maintenance costs associated with Silver Line Phase 2 to Dulles Airport and Loudoun County will begin to ramp up in FY2019 ahead of full implementation in FY2020. As a result, total jurisdictional contributions are projected to grow by 7 percent in FY2019 and 10 percent in FY2020.

<u>Public Outreach and Title VI Analysis</u>
In December, the Board will be asked to consider and approve the public hearing dockets for service changes and fares as well as for the parking concessionaire fee, which has been described separately. The dockets will describe the fare and service proposals in greater detail, and they serve to set out the maximum possible changes that Board may ultimately approve as part of the budget. However, the Board may choose to make lesser or even no changes. Metro will also initiate public participation plan (PPP) activities as part of the budget process, including surveys, station pop-ups, outreach to community based organizations (CBOs), and other activities.

Once the dockets are approved, staff will also begin equity analyses based on the requirements of the Civil Rights Act of 1964 and overseen by FTA. These analyses will evaluate whether the proposed fare/fee changes and service changes have a disparate impact on minority riders or impose a disproportionate burden on low-income riders. Staff will report back to the on the findings from these equity analyses prior to the adoption of the budget.

FUNDING IMPACT:

No immediate funding impact.	
Project Manager:	Thomas J. Webster
Project Department/Office:	CFO/OMBS

TIMELINE:

Previous Actions	July 2016 - Strategy session on Metro performance metrics September 2016 - Workshop session on transit ridership trends and regional economic performance October 2016 - Budget prep session on preliminary expense, revenue, and jurisdictional contribution projections
Anticipated actions after presentation	December 2016 - GM/CEO proposal of FY2018 capital budget and six-year CIP; request for authorization to hold budget public hearing January-February 2017: Public outreach and public comment period Week of January 30 (tentative): Public hearing March: Adoption of FY2018 budget

RECOMMENDATION:

No immediate Board action is required. The Board will be asked to approve required public hearing and PPP activities in December.

MEAD 201808 - GM/CEO FY2018 Operating Budget Proposal
Attachment: Three Year Budget Outlook
millions

	FY2017 Approved	FY2018 Proposed	FY2019 Projection	FY2020 Projection
Revenue	$934	$841	$856	$876
Expense	$1,780	$1,816	$1,904	$2,030
Subsidy	$845	$975	$1,048	$1,154
Growth		$130	$72	$106
% Growth		15%	7%	10%

Washington Metropolitan Area Transit Authority

FY2018 Proposed Operating Budget

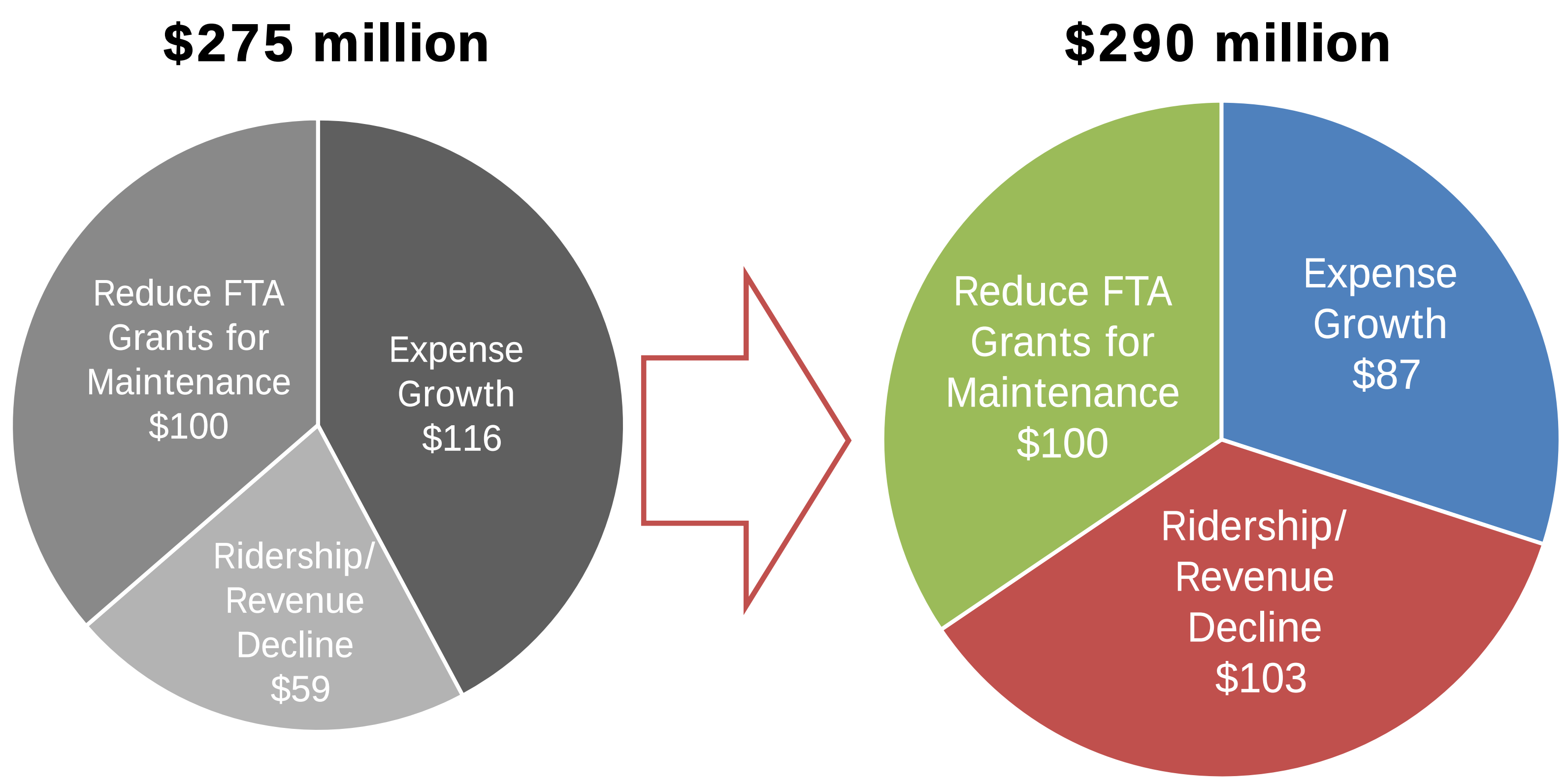
Enhancing Safety, Reliability and Financial Responsibility

Finance Committee
November 3, 2016

"Reality Check" Budget Plan

- Fund key safety improvements
- Improve train and track reliability
- Cut management and labor costs
- Outsource where possible
- Improve personnel productivity
- Scale service to current ridership
- Reduce dependence on federal grants for maintenance
- Shared sacrifice to balance budget

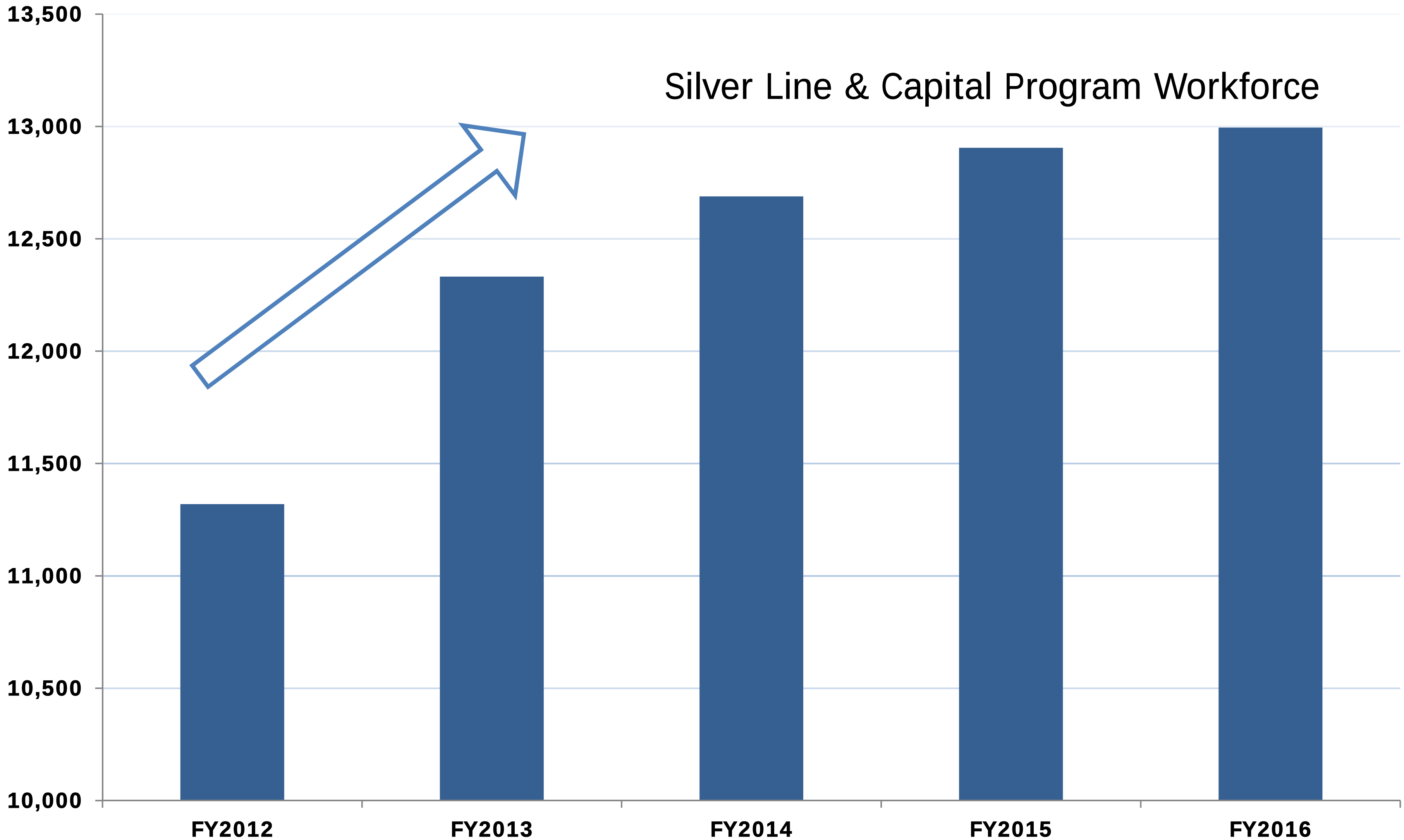
Budget Gap Update: $290 million



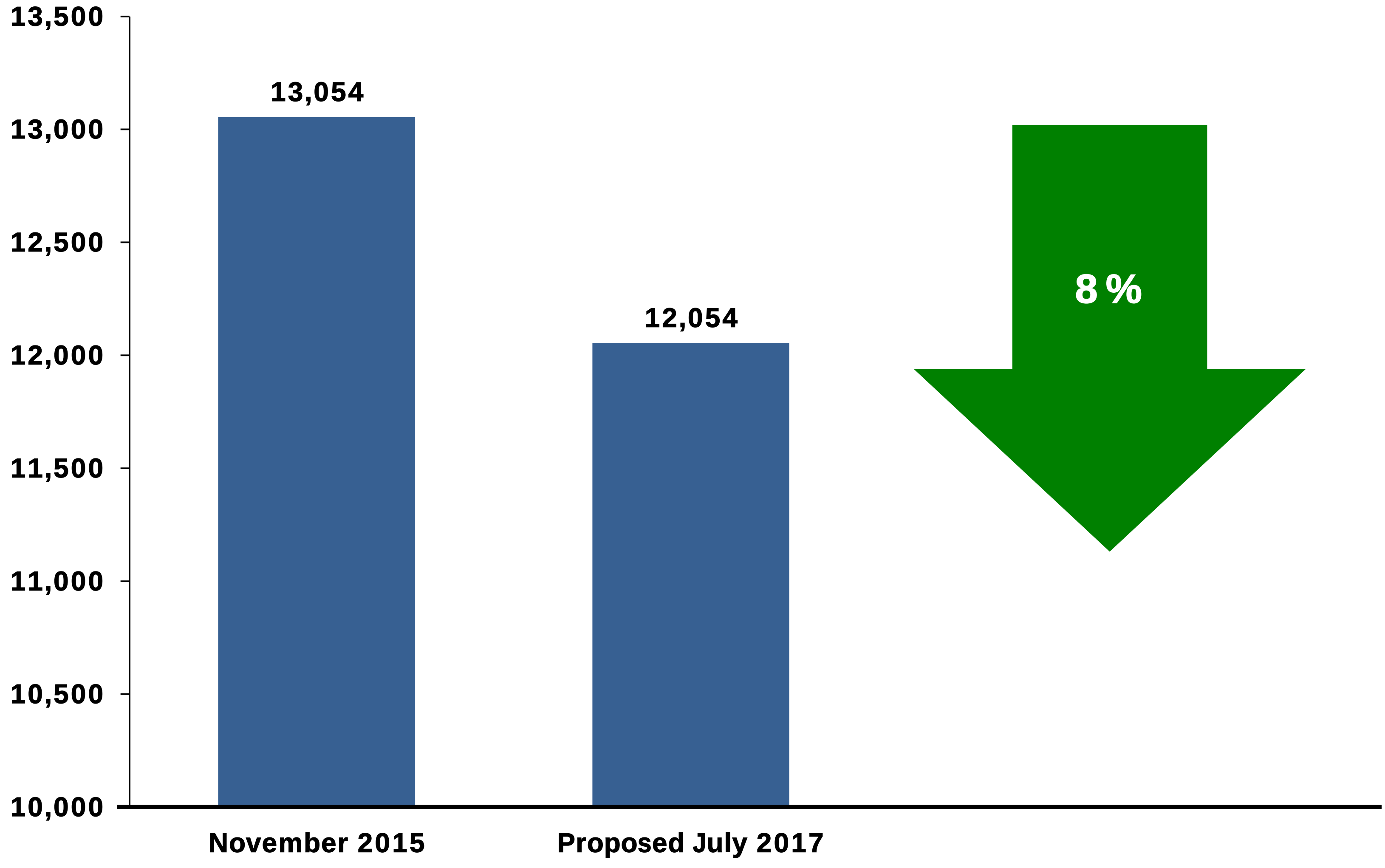
Financial Accountability: Management & Labor Actions

- Actions already underway, fully realized in FY2018:
  - ✓ Cut 500 positions, including closing sales offices
  - ✓ Reduce non-represented employee healthcare
- Assume no general wage increase
- Additional actions:
  - ✓ Consolidate functions and cut 200 more positions
  - ✓ Controls on absenteeism & workers' compensation
  - ✓ Privatize certain functions
  - ✓ Enhance advertising
  - ✓ Implement Abilities-Ride
  - ✓ Fair Fare Collection – increase enforcement

Budgeted Headcount Trend



Elimination of 1,000 Positions



Fare Increases

- Fares unchanged since July 2014
- Raise fares to generate $21 million net revenue:
  - ✓ All base fares increase to at least $2.00
  - ✓ Bus fare and minimum off-peak rail fare increase by $0.25
  - ✓ All peak rail fares increase $0.10 (base $2.25, max $6.00) and daily parking by $0.10
  - ✓ Access fare remain at 2x fastest fixed-route (capped at $6.50)

- Total ridership loss of ~10 million trips

Rightsizing Rail and Bus Service

- Rationalize services for today's ridership
- Metrorail (net subsidy savings of $12 million):
  - ✓ Peak: Widen headways to 8 min on each line (vs 6 min today); service at core stations every 2-4 min
  - ✓ Off-peak: Reduce off-peak frequency (midday/evening/Saturday) and turnback Red Line
- Metrobus (net subsidy savings of $17 million):
  - ✓ Eliminate most inefficient routes, with option to transfer to local service providers
- Total ridership loss of ~5 million trips
- Estimated headcount reduction of 300 (operators, mechanics, supervisors, etc.)

Proposed Rail Service Changes

Line	Rush Hour	Midday	Early Evening	Saturday	Sunday
RD	8 min	15 min	15 min	15 min	15 min
OR	8 min	15 min	15 min	15 min	15 min
SV	8 min	15 min	15 min	15 min	15 min
BL	8 min	15 min	15 min	15 min	15 min
YL	8 min	15 min	15 min	15 min	15 min
GR	8 min	15 min	15 min	15 min	15 min

More Frequent Service At Core Stations

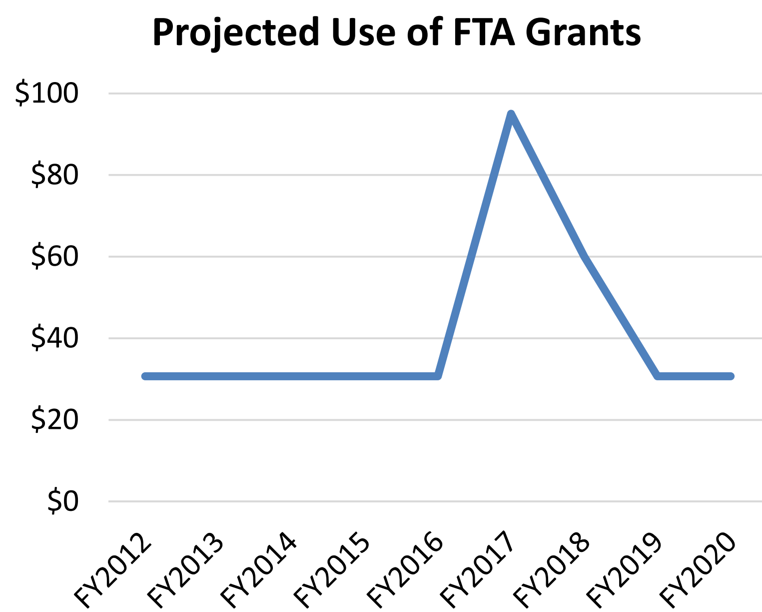
Line	Peak	Off-Peak
RD	4 min	7-8 min
OR SV BL	2-3 min	5 min

Proposed Bus Service Reductions

Bus Line Descriptions				*Performance Criteria Ranking*					*Annual Data*	
Line Name	**Route(s)**	**Regional/ Non-Regional**	**State**	**Weekday Daily Riders**	**Cost Recovery**	**Subsidy/ Rider**	**Riders per Rev Trip**	**Riders per Rev Mile**	**Riders**	**Subsidy**
Pimmit Hills-Falls Church	3T	Regional	VA	616	8.2%	$13.04	8.9	1.0	166,018	$2,165,018
Arlington-Union Station	13Y	Regional	VA	0	8.4%	$12.72	8.4	1.1	6,726	$85,582
Indian Head Express	W19	Non-Regional	MD	311	20.5%	$12.34	11.4	0.5	78,933	$974,110
Kings Park	17A,B,F,M	Non-Regional	VA	417	20.6%	$12.27	9.0	0.5	105,423	$1,293,904
Greenbelt-BWI Airport Express	B30	Non-Regional	MD	370	40.3%	$9.14	7.6	0.3	132,250	$1,209,160
Tysons Corner-Dunn Loring	2T	Regional	VA	505	11.8%	$8.78	9.9	1.2	161,831	$1,421,585
I-270 Express	J7,9	Non-Regional	MD	326	26.8%	$8.73	9.9	0.6	82,080	$716,616
Burke Centre	18P,R,S	Non-Regional	VA	676	27.1%	$8.58	11.2	0.9	170,709	$1,464,804
Wisconsin Avenue Limited	37	Regional	DC	599	13.7%	$7.37	27.2	4.1	150,900	$1,112,008
Bock Road	W13,14	Regional	MD	658	32.0%	$6.77	19.2	1.3	167,541	$1,133,613
Oxon Hill-Fort Washington	P17,18,19	Regional	MD	1,167	32.3%	$6.68	21.3	1.3	296,228	$1,977,655
Fair Oaks-Fairfax Blvd	1C	Regional	VA	973	15.1%	$6.57	18.5	1.3	320,729	$2,107,075
Chain Bridge Road	15K,L	Regional	VA	486	15.2%	$6.51	16.8	1.3	122,580	$798,091
Fair Oaks-Jermantown Rd	2B	Regional	VA	916	15.3%	$6.48	18.0	1.3	257,612	$1,668,943

Reduce Dependence on FTA Grants for Maintenance

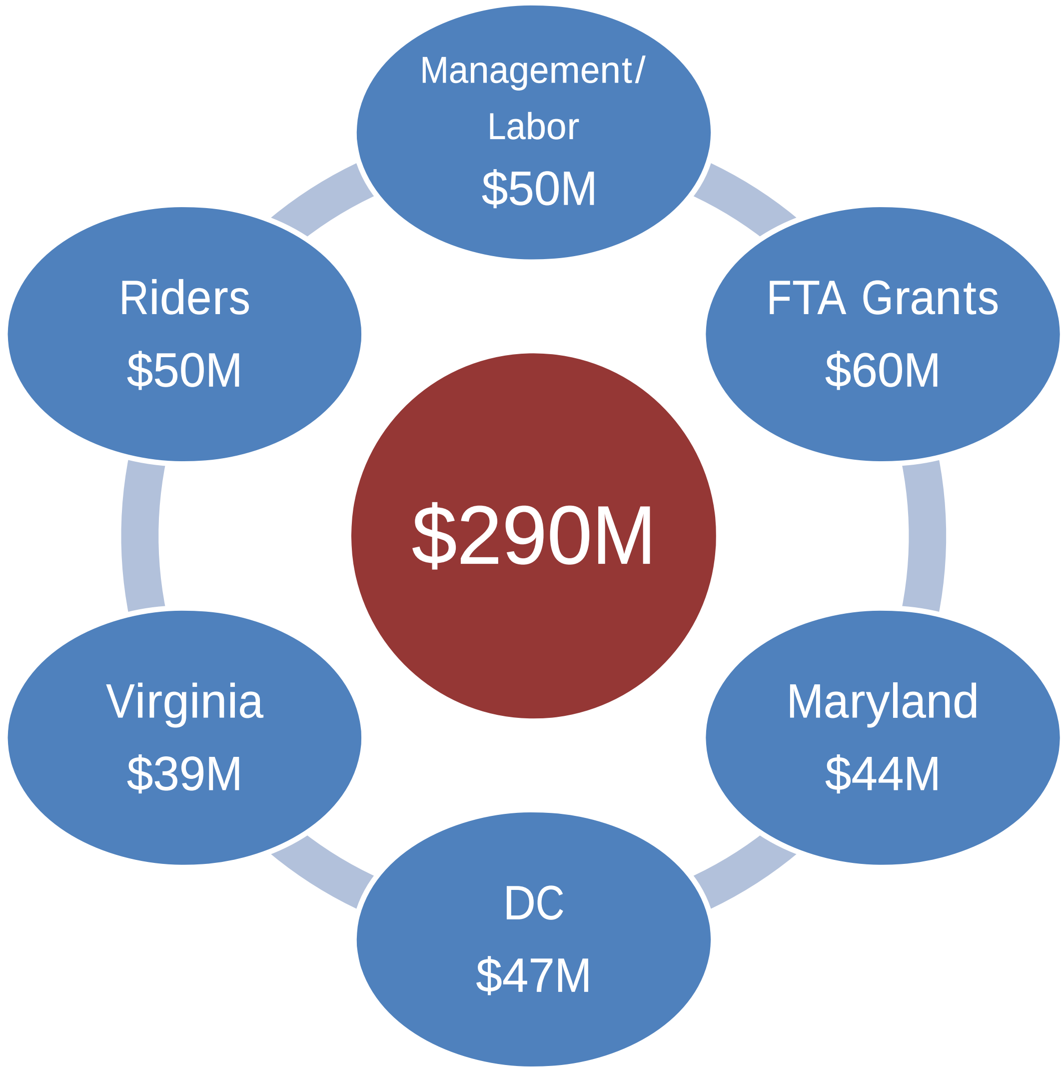
- Reduce use of FTA grants for maintenance from $95 million in FY2017 to $60 million in FY2018
- Ramp down to previous Board policy level of $31 million over two years



Jurisdictional Contribution

	FY2016 Budget	FY2017 Budget	FY2018 Proposed	Change ('17 – '18)	%
District of Columbia	**$322.9**	**$323.1**	**$370.3**	**$47.1**	**15%**
Montgomery County	144.1	145.0	168.1	23.1	16%
Prince George's County	185.2	185.9	207.3	21.4	11%
Maryland Subtotal	**329.2**	**330.9**	**375.4**	**44.5**	**13%**
City of Alexandria	33.8	33.0	39.5	6.5	20%
Arlington County	58.2	56.6	68.4	11.9	21%
City of Fairfax	1.8	1.8	2.2	0.4	20%
Fairfax County	118.1	118.7	138.6	19.9	17%
City of Falls Church	2.3	2.4	2.7	0.2	10%
Virginia Subtotal	**214.4**	**212.5**	**251.4**	**38.9**	**18%**
TOTAL	**$866.5**	**$866.5**	**$997.0**	**$130.5**	**15%**

Shared Sacrifice: Closing the Gap



FY2018 Proposed Operating Budget

REVENUES	FY2017 Budget	FY2018 Proposed	Change	%
Fare Revenue	$774,891	$690,073	($84,818)	-11%
Other Passenger Revenue	17,043	19,215	2,172	13%
Parking	47,103	42,164	(4,939)	-10%
Advertising	23,500	24,000	500	2%
Joint Development	7,000	8,000	1,000	14%
Fiber Optics	16,500	15,600	(900)	-5%
Other	13,989	11,278	(2,711)	-19%
Reimbursables	34,196	30,767	(3,429)	-10%
TOTAL	**$934,222**	**$841,096**	**($93,126)**	**-10%**

EXPENSES	FY2017 Budget	FY2018 Proposed	Change	%
Personnel	$1,315,144	$1,288,643	($26,501)	-2%
Services	241,772	290,141	48,369	20%
Materials & Supplies	87,026	122,529	35,503	41%
Fuel (Gas/Diesel/CNG)	39,227	31,759	(7,468)	-19%
Utilities & Propulsion	90,924	82,324	(8,600)	-9%
Casualty & Liability	34,895	28,560	($6,335)	-18%
Leases & Rentals	6,725	8,329	$1,604	24%
Miscellaneous	6,829	5,046	(1,783)	-26%
Capital Allocation	(43,000)	(40,493)	2,507	-6%
TOTAL	**$1,779,542**	**$1,816,837**	**$37,295**	**2%**

	FY2017 Budget	FY2018 Proposed	Change	%
NET SUBSIDY	**$845,320**	**$975,740**	**$130,420**	**15%**

Expense Growth Drivers: Non-Personnel

- Non-personnel costs projected to increase by $64 million or 14 percent, including:
  - ✓ $48 million increase in Services including safety and reliability improvements, contract cost inflation, paratransit, NTSB/FTA and audit/financial compliance requirements, reimbursable operating activities, and new facility maintenance
  - ✓ $36 million increase in Materials & Supplies including railcar parts and safety and reliability improvements
  - ✓ $16 million decrease in energy due to lower rates and service reductions
  - ✓ $6 million decrease in casualty and liability insurance premiums
  - ✓ $3 million decrease in capital indirect cost allocation credit

Public Hearing and Outreach

- In December, Board will be asked to approve hearing dockets on service changes, fares and parking concessionaire fee as required by Compact
- Dockets describe proposals in detail and set out maximum possible changes that Board may approve
- Metro will also initiate public participation plan (PPP) activities

Title VI Equity Analysis

- Once dockets are approved, staff will begin equity analysis based on Civil Rights Act of 1964 requirements
- Evaluate whether proposed fare/fee and service changes have a disparate impact on minority riders or impose a disproportionate burden on low-income riders

Risks and Contingencies

- Ridership uncertainty due to SafeTrack, fare increase, and service reductions
- Continued changes in rider behavior, trip-making and transportation market (telework, alternate modes, gas prices, etc.)
- Collective bargaining outcome
- Pension and OPEB liabilities
- Safety needs, additional system maintenance efforts and CARe Plan actions

Next Steps

- **December**: GM/CEO proposal of FY2018 Capital Budget and six-year CIP; request for budget public hearing
- **Jan 14-Feb 6**: Public outreach and public comment period begin
- **Week of Jan 30** (tentative): Public hearing
- **Feb 6**: Public comment period closes
- **March**: Adoption of FY2018 Budget

Budget approval in March is needed to fully implement any fare or service changes by July 1

Appendix: Contribution by Mode

($ millions)	FY 2017 Contribution	FY 2018 Contribution	Metrorail	Metrobus	*Regional*	*Non-Regional*	Metro Access	Debt Service
District of Columbia	**$323.1**	**$370.3**	**$127.4**	**$206.6**	***$182.5***	***$24.1***	**$25.6**	**$10.7**
Montgomery County	$145.0	$168.1	$70.5	$70.4	*$61.6*	*$8.8*	$22.3	$4.9
Prince George's County	$185.9	$207.3	$60.1	$94.0	*$72.3*	*$21.8*	$47.6	$5.5
Maryland Subtotal	**$330.9**	**$375.4**	**$130.6**	**$164.4**	***$133.9***	***$30.5***	**$69.9**	**$10.5**
City of Alexandria	$33.0	$39.5	$18.1	$20.6	*$18.8*	*$1.8*	$0.8	$0.0
Arlington County	$56.6	$68.4	$35.9	$31.7	*$30.7*	*$1.0*	$0.8	$0.0
City of Fairfax	$1.8	$2.2	$1.2	$0.6	*$0.6*	*$0.0*	$0.3	$0.0
Fairfax County	$118.7	$138.6	$59.7	$65.5	*$59.4*	*$6.1*	$13.4	$0.0
City of Falls Church	$2.4	$2.7	$1.0	$1.5	*$1.5*	*$0.0*	$0.1	$0.1
Virginia Subtotal	**$212.5**	**$251.4**	**$115.9**	**$120.0**	***$111.0***	***$8.9***	**$15.5**	**$0.1**
Total Subsidy	**$866.5**	**$997.0**	**$373.9**	**$491.0**	***$427.4***	***$63.6***	**$110.9**	**$21.2**

Note: Metrorail column includes both Base and Maximum Fare subsidies. Total Maximum Fare subsidy is $7.2 million.