



Finance & Administration Committee

Information Item III-A

November 7, 2013

FY2014 Quarterly Financial Review

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

Action Information

MEAD Number:
200475

Resolution:
 Yes No

TITLE:

FY2014 First Quarter Operating Budget Results

PRESENTATION SUMMARY:

This presentation summarizes FY2014 first quarter operating budget results.

PURPOSE:

The Finance and Administration Committee will be informed of the FY2014 first quarter operating budget results.

DESCRIPTION:

Key Highlights:

- Through September, Metro's FY2014 operating budget has a positive net position of \$11.6 million resulting from a \$3.3 million positive revenue variance and an \$8.4 million positive variance in expenditures.
- Metro operating revenues were slightly above budget in the first quarter, boosted by a combination of higher bus ridership, the additional recognition of unused fare media, and by positive performance to-date for advertising and fiber optic revenues.
- First quarter operating expenses were under budget by \$8.4 million or 2.0 percent primarily due to lower-than-budgeted services, fuel, propulsion, and utilities expenses.

Background and History:

Metro's \$1.7 billion FY2014 operating budget provides for the personnel, materials and supplies, fuel and propulsion power, and services to operate Metrobus, Metrorail, and MetroAccess.

Discussion:

FY2014 First Quarter Ridership

Total transit ridership in the first three months of FY2014 was 89.8 million trips, which is 1.8 percent above the same quarter last year and 0.2 percent below budget. This improved performance was driven largely by Metrobus, which has carried 1.0 million

more trips (up 3.0 percent) compared to last year and is up 1.7 percent versus budget. Part of the gain on Metrobus is due to the new “Ride Free on Bus” program for DC students. By the end of September, approximately 23,000 student trips were being carried on Metrobus each school day. Total Metrorail ridership of 54.3 million trips in the quarter was also up 1.0 percent over last year, but that was still short of budget projections by 1.5 percent.

MetroAccess has also seen a steady increase in trip-making, with first quarter ridership increasing by 4.3 percent over budget to 539,000. The new MetroAccess fare calculator is reducing fares for riders – the share of riders paying the maximum fare dropped from 30 percent to 25 percent, and the overall average fare paid (not including those who ride for free, such as personal care attendants and children) dropped by five percent compared to last year.

FY2014 First Quarter Operating Revenue

Total operating revenue was 1.5 percent above budget in the first quarter, with total revenue of \$224.4 million compared to a budget of \$221.1 million. Passenger fares and parking fees totaled \$211.9 million, which is above budget by \$3.1 million, while all other non-transit revenue sources totaled \$12.5 million, which is above budget by \$0.2 million. Operating revenues have been boosted by a combination of higher bus ridership and positive performance for advertising and fiber optic revenues. Accounting changes implemented in FY2014 have also resulted in the recognition of additional revenue from unused fare media that is now attributed to bus and parking in addition to rail.

Although it did not occur in the first quarter, preliminary estimates indicate that the Federal government shutdown from October 1 through October 16 cost Metro approximately 1.7 million passenger trips and \$5.5 million in lost passenger fare and parking revenue. A more detailed examination of the shutdown impacts will be provided in the October monthly report.

FY2014 First Quarter Operating Expenses

Year-to-date operating expenses through September were under budget by \$8.4 million or 2.0 percent, primarily due to lower than budgeted expenses in services and fuel, propulsion, and utilities.

Metro has locked in approximately half of its diesel fuel budget and 100 percent of its propulsion budget through favorable hedges and fixed price contracts compared to the FY2015 budget. As a result of these activities and lower than forecasted energy usage, expenses for fuel, propulsion, and utilities were favorable to budget by \$4.0 million during the first quarter. Services were also favorable by \$8.6 million, which was largely due to lower SmarTrip expenses, paratransit services expenses, and other service contracts.

Continued targeted investment in railcar and bus maintenance led to higher-than-budgeted expenses in Materials and Supplies during the first quarter. Railcar and bus maintenance expenses were partially offset by timing of obsolete inventory disposition and special purpose materials for the Technical Skills Program. Overall, Materials and Supplies were \$1.8 million above budget during the first quarter. Management will continue to monitor Materials and Supplies expenses during FY2014 and will

recommend adjustments to right-size the budget in the proposed FY2015 budget.

Total personnel expenses were \$3.4 million over budget during the first quarter. The higher personnel expenses are a result of the wage and benefit adjustments associated with the new Collective Bargaining Agreement reached with the Amalgamated Transit Union Local 689. Later this fiscal year, management will recommend a FY2014 budget amendment in order to incorporate the impacts of the wage and benefit adjustments. The recommended budget amendment will be funded by the FY2013 operating budget surplus.

Efforts to manage the use of overtime continue to yield results: overtime expenses were \$1.8 million lower during the first quarter of FY2014 than during the same period last year. Overtime expenses during the first quarter were \$7.3 million over budget primarily due to continued investment in railcar maintenance, special events, absenteeism, and vacation coverage. Year-to-date overtime expenses were partially offset by savings in salaries and wages, which were \$4.7 million under budget mainly due to higher than budgeted vacancies. Metro is developing a forecast to manage overtime for the second half of FY2014. The overtime forecast will be based on 1) attrition and hiring rates that affect overall vacancies and 2) the implementation of fatigue management strategies.

FUNDING IMPACT:

No funding Impact. This presentation provides information on FY2014 first quarter financial performance.

TIMELINE:

Previous Actions	FY2013 Year End Operating Budget Performance Review presented to the Committee (September 2013)
Anticipated actions after presentation	Presentation of GM/CEO's Proposed FY2015 Budget and Request to initiate public hearings (December 2013) FY2014 Second Quarter Financial Report (March 2014)



Fiscal Year 2014 – First Quarter Operating Budget Results

Finance and Administration Committee
November 7, 2013



FY2014 First Quarter Operating Budget Results

OPERATING BUDGET (\$ in Millions)

	FY2014 1st Qtr		Budget Variance	
	Budget	Actual	\$	Percent
Revenue	\$221	\$224	\$3	1%
Expense	\$411	\$403	(\$8)	-2%
Subsidy	\$190	\$178	(\$12)	-6%
Cost Recovery	54%	56%		



FY2014 First Quarter Revenue and Ridership

FY2014 First Quarter Ridership and Revenue

Mode	Measure	Budget	Actual	Variance
Rail	Ridership	55 million	54 million	
	Revenue	\$157 million	\$159 million	
Bus	Ridership	34 million	35 million	
	Revenue	\$36 million	\$37 million	
Access	Ridership	517,000	539,000	
	Revenue	\$2 million	\$2 million	
Parking	Revenue	\$12 million	\$12 million	



FY2014 First Quarter Operating Expenses

FY2014 First Quarter Operating Expenses

Expense Category		Budget	Actual	Variance
Labor	Salaries and Wages	\$201 million	\$204 million	
	Fringe Benefits	\$93 million	\$94 million	
Non-Labor	Fuel, Propulsion and Utilities	\$37 million	\$33 million	
	Services	\$51 million	\$43 million	
	Materials and Supplies	\$19 million	\$21 million	
	Insurance and Other	\$9 million	\$8 million	
Total Operating Expenses		\$411 million	\$403 million	



FY2014 Outlook

- Forecast
- Risks
- Mitigation



Next Steps

December 2013

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

January 2014

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

February 2014

- Ridership, Revenue, and Fare Policy Discussion

March 2014

- FY2014 Second Quarter Financial Report and Capital Progress Update
- Adoption of the FY2015 Budget and Six Year Capital Improvement Program

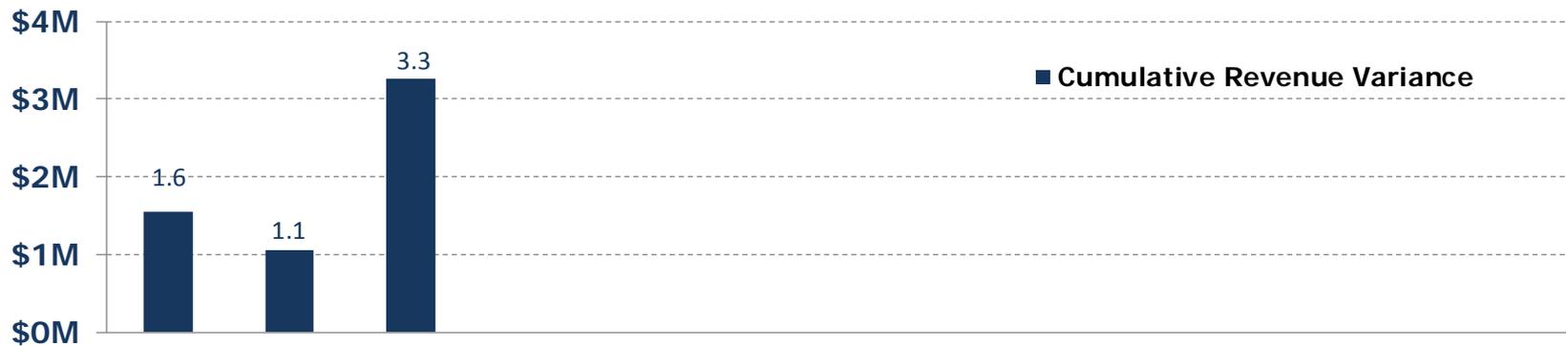
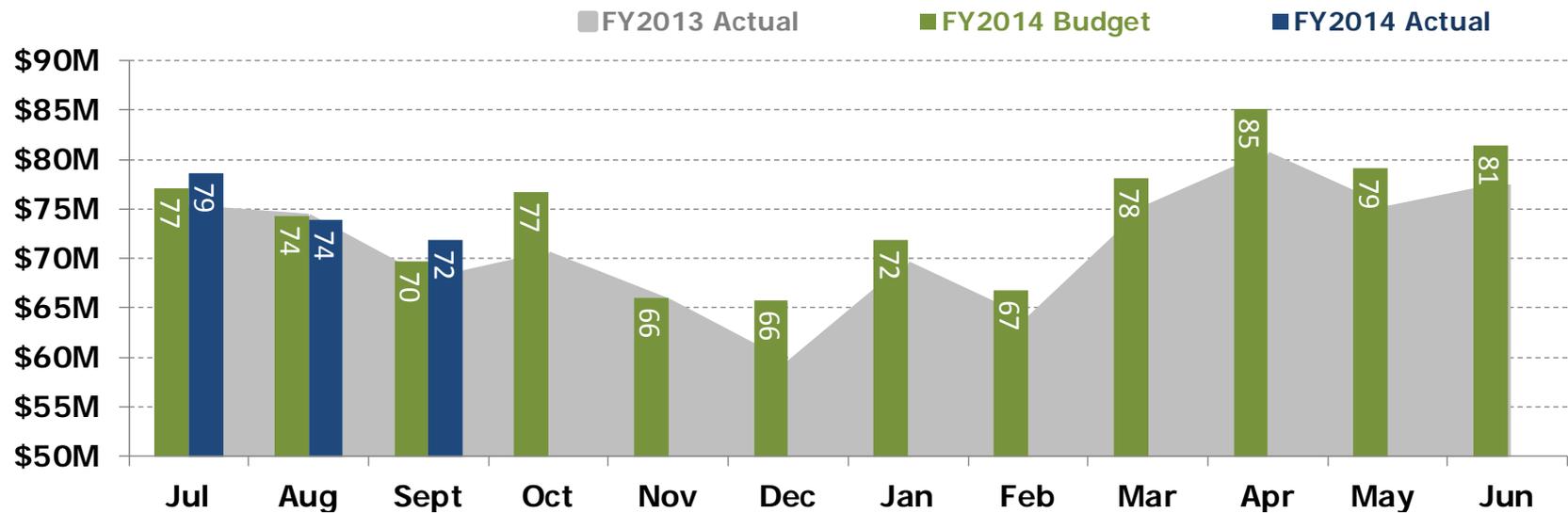


Appendix



FY2014 Operating Revenue

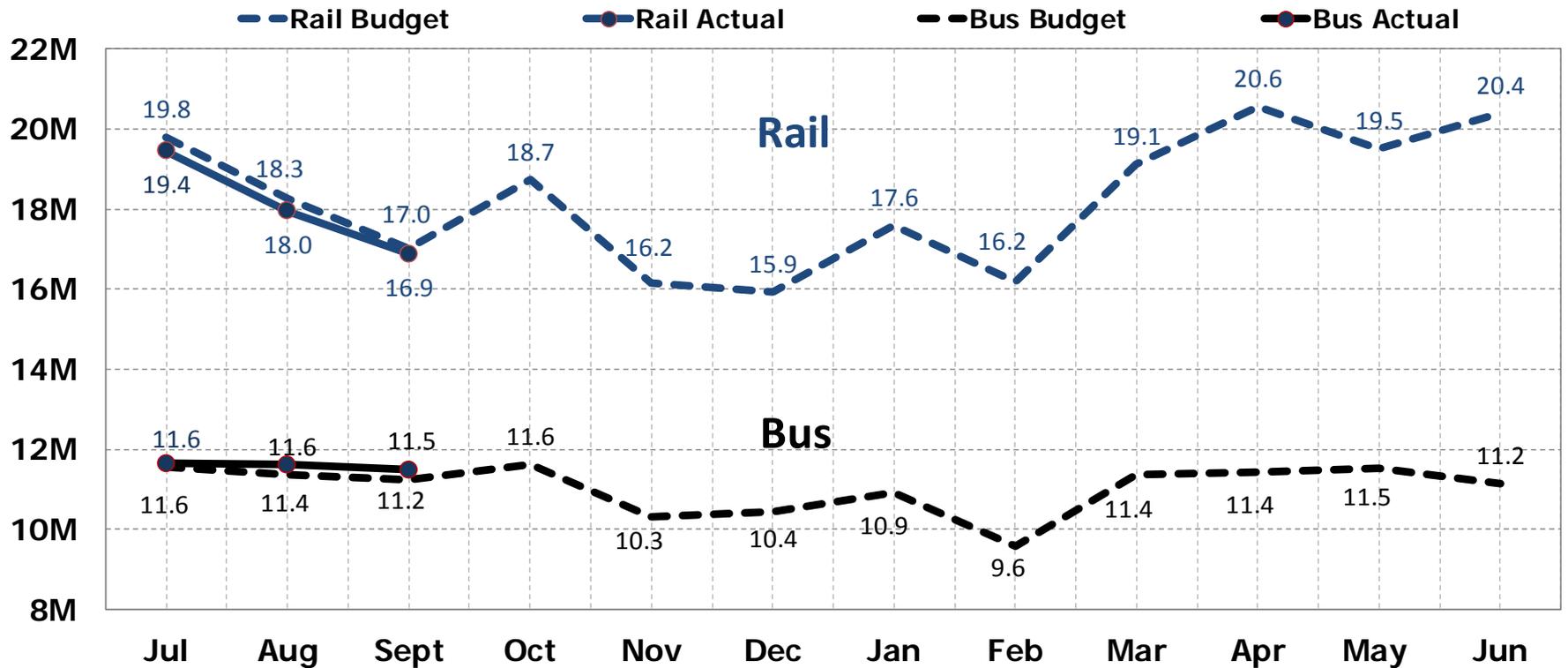
OPERATING REVENUE (in Millions)





FY2014 Rail and Bus Ridership

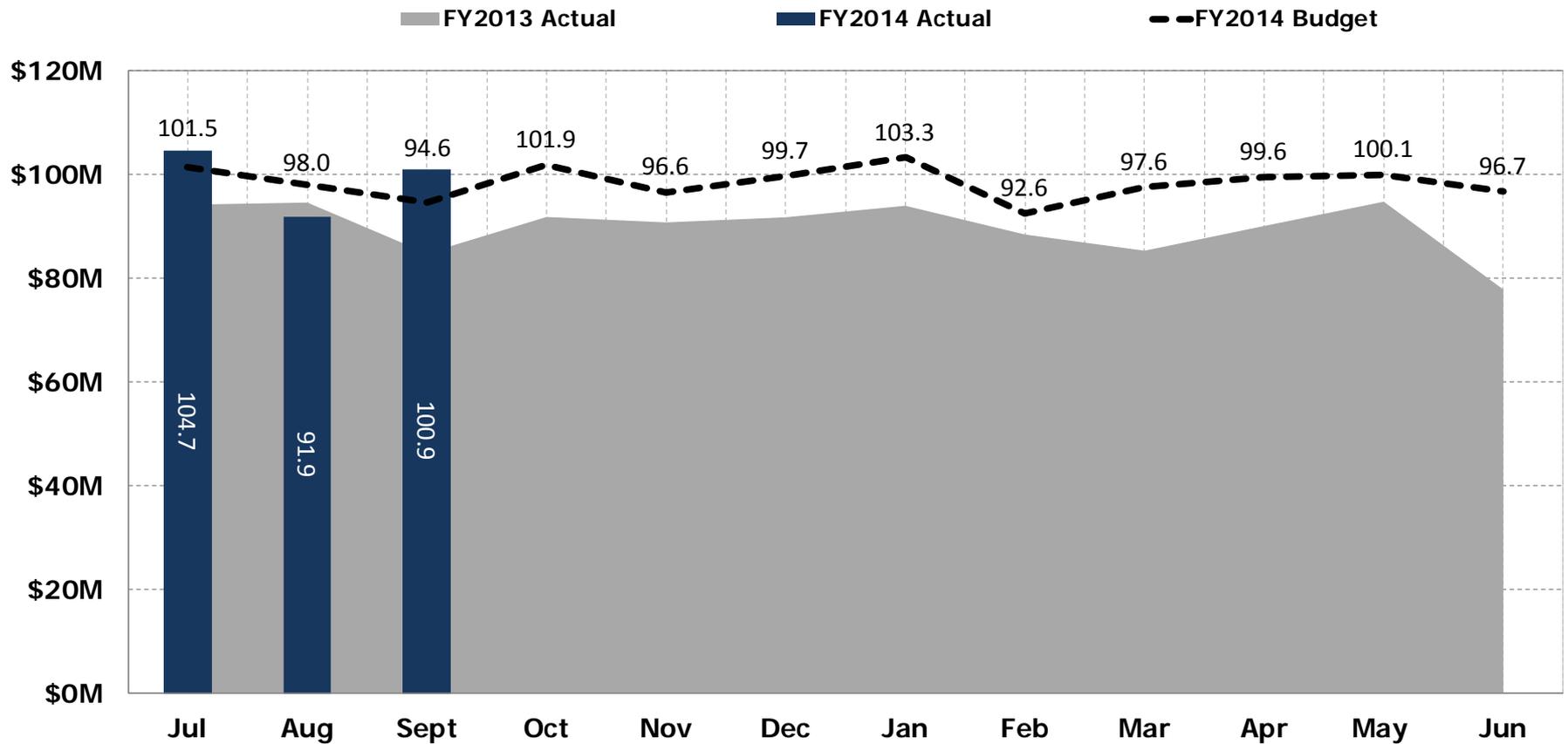
MONTHLY RIDERSHIP FOR RAIL AND BUS (in Millions)





FY2014 Labor Expenditures

FY2014 LABOR BUDGET VS ACTUAL (\$ in Millions)





FY2014 Non-Labor Expenditures

FY2014 NON-LABOR BUDGET VS ACTUAL (\$ in Millions)

