Finance & Administration Committee

Information Item IV-B

December 4, 2014

GM/CEO's Proposed FY2016 Operating and Capital Budgets

Washington Metropolitan Area Transit Authority

Board Action/Information Summary

Action	Information	MEAD Number: 201170	Resolution: Yes	No

TITLE:

FY2016 Proposed Budget

PRESENTATION SUMMARY:

The GM/CEO proposes a constrained FY2016 operating budget of $1.8 billion and a $1.3 billion FY2016 capital budget for the Board's consideration. The budget assumes no fare changes, achieves expense reductions through management efficiencies, and proposes to transfer the operation of certain local bus routes to the jurisdictions. The CIP continues investments in safety and reliability and commits to Metro 2025 improvements, including eight-car trains as part of a new capital funding agreement.

PURPOSE:

Following staff's presentation of FY2016 projections in November, the Board directed the GM/CEO to reduce projected incremental funding requirements from the jurisdictions consistent with local budget constraints, without changing assumptions about avoiding fare increases. The GM/CEO's recommended operating budget for FY2016 proposes management efficiencies to reduce net expenses, as well as changes to the delivery of certain local bus services, that result in a jurisdictional gross subsidy increase of 10 percent over FY2015 rather than the November forecast of 15 percent ($36 million less). The $1.3 billion proposed FY2016 capital budget continues investments in safety and reliability and commits to Metro 2025 improvements, including eight-car trains.

DESCRIPTION:

Key Highlights:

- The General Manager's proposed operating budget assumes no fare increases in FY2016.
- The budget includes over $5 million in administrative expense reductions, primarily through the freezing and elimination of 50 non-safety related vacant positions.
- To further constrain cost growth, initiatives to invest in bus Priority Corridor Networks and Sate of Good Operations (PCN/SOGO) are being deferred beyond FY2016.
- Curbing cost growth over the next several years is also recommended as part of a MetroAccess sustainability study for paratransit services. The focus will be on encouraging taxicabs and Human Services Agencies (HSAs) to offer lower-cost transportation options for disabled riders while still providing equivalent or better quality service as MetroAccess. This effort will build on the existing pilot programs in the District of Columbia (for kidney dialysis patients to travel by taxi) and in

Maryland (working with Community Support Services).

- The budget also contemplates a phased approach to transferring certain strictly local (non-regional) routes to jurisdictional bus service providers that would result in a first year (FY2016) savings of $8 million in expenses through the attrition of bus positions (with no impact to current employees). This proposed transfer of service is not intended to reduce the regional expenditure on bus service, although the jurisdictions' total contribution to WMATA will be reduced and the jurisdictions may be able to operate these services at a lower cost. This also represents an initial step in a longer-term strategic repositioning of Metrobus service.
- Before acting on any proposed service change scenarios, public engagement through the Board's adopted comprehensive Public Participation Plan would need to be authorized in January and would take approximately four months to complete.
- Proposed FY2016 capital investments total $1.3 billion, which includes $850 million of recurring safety and state of good repair investment in system repair and rehabilitation and $450 million of non-recurring safety and state of good repair investments (primarily in the delivery of new 7000-series railcars to replace the 1000-series cars) and Metro 2025 capacity investments.
- The 2016-2021 CIP assumes continued investments in safety and reliability and advances Metro 2025 priorities including eight-car trains on all lines during peak periods.

If there is a conclusion reached that this level of funding for the jurisdictions is not achievable, then the Board would have to evaluate more difficult choices, including consideration of more aggressive cost cutting actions that would require extensive public hearings and outreach. However, such actions are not recommended in this proposed budget. For example, the Board could revisit the rail headway policy. In order to reduce total rail subsidy by an additional $10-$15 million in FY2016, an increase in both off-peak and peak headways could be implemented, with off-peak headways systemwide increasing by three to five minutes and peak headways increasing on most lines (except Blue) by two minutes.

Background and History:

In November, staff provided the Board a preview of the FY2016 operating and capital budgets, with a high-level overview of proposed sources and uses of funds. The forecast for operating revenue in FY2016 was a slight reduction from the FY2015 budget (by approximately $13 million or 1.4 percent), based on recent experience with lower rail ridership. The same baseline ridership assumptions have been maintained in the proposed operating budget, consistent with Board guidance in November.

However, the November preview also projected a six percent increase in overall operating expenses, resulting in a 15 percent increase in gross operating subsidy. The guidance from the Board was clear that local jurisdictional funding constraints would not support a subsidy increase of that magnitude. Therefore, the challenge in developing the FY2016 proposed budget has been to bring local subsidy growth down, and in line with local funding constraints, while continuing to deliver quality service to regional transit customers.

Discussion:

Operating Budget Assumptions

Baseline Operating Revenue
Assuming continued bus ridership growth of approximately two percent per year and flat rail ridership, the FY2016 budget includes $881 million in passenger fares (not including the impact of proposed bus service changes), which represents 94 percent of total operating revenues. Non-farebox sources such as advertising, real estate leases, and fiber optic leases will provide additional revenues of approximately $52 million, for total baseline operating revenue of $933 million, a decline of 1.4 percent compared to FY2015 budget.

Baseline Operating Expenses
WMATA spends over 90 cents out of every operating dollar delivering bus, rail, and paratransit service to customers. As with all public transportation providers, the primary operating expense for WMATA's budget is personnel. Direct personnel expenses, including wages and salaries, overtime, healthcare, insurance, pensions, workers compensation and other fringes and benefits, account for more than 70 percent of WMATA's total operating cost to provide service.

Contractual and mandated cost increases will add an additional $76 million in expenses to WMATA's operating budget next year – a growth of 4.3 percent that is largely driven by the cost of the personnel who operate and maintain service, as well as growth in paratransit service demand.

In FY2016, baseline personnel expenses will increase by approximately $60 million. This increase funds collective bargaining agreement commitments, increased healthcare costs, and pensions for retired workers. It also funds the Board's commitment to begin funding a trust for the payment of other post-employment benefits (OPEB). The original commitment was an initial $5 million contribution in FY2015 to increase by $5 million in each subsequent year. The OPEB contribution was reduced in FY2014 to $4 million, so the proposed FY2016 contribution of $11 million returns the total funding to the Board's original planned trajectory.

Total baseline nonpersonnel expenses – including services, materials and supplies, and fuel, propulsion and utilities – are also projected to increase by approximately $16 million. A primary driver of this increase is the Metro Access service contract, which will increase by $7 million over the current fiscal year. MetroAccess ridership has been growing steadily since FY2014 and WMATA is mandated to provide this service to eligible riders under federal law. Approximately 60 percent of MetroAccess service is for customers residing in Maryland, but ridership in all three jurisdictions is projected to continue to grow in FY2016. The rate of growth for MetroAccess ridership remains a risk factor for WMATA in FY2016 and beyond, as discussed below.

Other non-personnel expenses, including other service contracts, materials and supplies, and fuel and propulsion are projected to increase by a total of $9 million.

The baseline budget is lower than it otherwise would have been due to the cumulative impacts of previous initiatives to reduce costs. Most notably, pension costs

are being reduced through prior management and Board action to require employee pension contributions (one percent of compensation in FY2015 and three percent in FY2016 for employees represented by ATU Local 689). Other recent initiatives, such as the garage lighting project, will begin to pay dividends through reduced costs in future years beyond FY2016.

The baseline budget provides the resources to support most, but not all of the Board's strategic actions, particularly those supporting safety, financial reform, and customer care. Metro's activities in these critical areas in FY2016 include:

- *Safety*: Safety continues to be Metro's number one priority, both for our customers and our employees. Initiatives like Close Call create an environment where all employees, regardless of position, are engaged in improving safety and reporting hazards that may exist within the system. Metro will continue to work on closing out the remaining four National Transportation Safety Board (NTSB) recommendations, notably the replacement of the 1000 series cars. Implementation of wayside worker warning will also be prioritized, to provide another level of protection for employees inspecting the right-of-way. With safety considerations permeating every activity at WMATA, estimated total direct operating and capital budget spending on safety activities in FY2016 is $330 million, with investment in the new 7000-series railcars to replace the 1000-series representing $260 million of that total.
- *Customer Care and Outreach*: The FY2016 budget will continue to fund the Customer Care initiative that will enhance Metro's ability to both receive and respond to customer feedback. Through the new award-winning Public Participation Plan, Metro will continue to engage customers in new ways to gather their input whenever a major change is considered. As with safety, customer service is an Authority-wide focus, with an estimated direct spending on customer care and outreach in FY2016 of approximately $19 million.
- *Financial Reform*: FY2016 will bring continuous improvement in controls and compliance for WMATA. The new Internal Control & Compliance Office will have organization-wide responsibility for adherence to proper financial management controls, processes and procedures. WMATA will also be developing a Board reporting process through Audits & Investigations (A&I) Committee that will be complementary to the WMATA Office of Inspector General (OIG) process, with less focus on report writing and more emphasis on process and procedural compliance assistance. The expected outcomes from these investments include verified compliance with all regulations, policies, and procedures; "clean" Financial Management Oversight (FMO) & Triennial reviews; and restoration of Electronic Clearing House Operation (ECHO) privileges. The annual cost of the increased focus on compliance and financial controls is approximately $3 million.

<u>Strategic Initiatives</u>

A number of worthwhile initiatives have not been funded in the FY2016 budget. Deferred initiatives include a proposed $6.8 million expansion of the Metrobus PCN/SOGO program to provide more and better bus service; an expansion of the bus vehicle and rail station cleanliness programs for $1.3 million; the addition of a second team to enhance and accelerate rail de-stressing activities (i.e., preventive monitoring and maintenance to reduce the frequency of rail buckling and cracking, which can lead

to service disruptions) for $1.2 million; and the enhancement of existing emergency response capabilities through the addition of a backup emergency response team (ERT) for $1.1 million.

However, the FY2016 budget is providing significant funding to support the Board's mandates regarding Fatigue Risk Management. This funding will go toward additional employees to improve and maintain compliance with the new Hours of Service (HoS) policy. Specifically, an additional 75 bus operators (25 in FY2015 and an additional 50 in FY2016), 18 track repairers (in TRST), and 4 dispatchers in the EOC will be hired in FY2016, at a cost of approximately $5 million. Management will continuously monitor HoS compliance over the next 12 months and will then evaluate further hiring needs as part of the FY2017 budget adoption process.

In addition to hiring to mitigate fatigue risk, the GM/CEO's proposed budget includes two additional initiatives at a total cost of approximately $2.1 million: a modernization of Human Resources functions to support the recruitment, development, and retention of employees ($1.8 million), and collaborative risk management ($0.3 million).

Further Actions to Reduce Subsidy Growth

With no further changes beyond those described above, the total gross jurisdictional operating subsidy for FY2016 would be approximately $904 million, an increase of more than 11 percent over FY2015. In order to reduce the required local contribution further and bring expenses in line with current funding constraints, the GM/CEO is proposing additional changes:

- *Vacancy elimination*: Fifty currently vacant, non-safety sensitive positions have been identified for freezing in FY2015 and elimination in FY2016. The vacancies that have been identified are spread Authority-wide, including positions in communications, IT, finance administration, bus, rail, and infrastructure. The total personnel expense (including both salary/wages and fringe benefits) associated with these positions is approximately $5 million. While the elimination of these positions will have some business impacts, they will not negatively impact safety or customer service, and the affected departments have confirmed that eliminating these positions will not prevent the achievement of business plan objectives.
- *'Insourcing' of augmented elevator and escalator maintenance*: This shift away from contracted maintenance to direct provision is estimated to save approximately $0.6 million in net expense annually.
- *Metrobus service realignment*: The GM/CEO's proposed budget contemplates a phased approach to transferring a limited set of candidate routes to jurisdictional bus service providers that would result in a first year (FY2016) savings of $8 million in expense through the attrition of certain bus positions (with no impact to current employees). This proposed transfer of service is not intended to reduce the level of bus service or regional expenditure on bus service, although the jurisdictions' total contribution to WMATA will be reduced and the jurisdictions may be able to operate these services a lower cost. Instead, this represents an initial step in a longer-term strategic recalibration of Metrobus service – which has been discussed in various venues previously, including as part of the initial planning for Metro 2025 – to focus more exclusively on regional services (particularly Priority Corridor Network routes) and transfer responsibility for local

services to the jurisdictional service providers. If service levels are maintained, the total peak bus requirement (including spares) for the proposed routes to be transferred in FY2016 is 107: Circulator (21), RideOn (19), MTA (28), TheBus (8), ART (6), DASH (4), and Connector (21). The total estimated reduction in Metrobus operating costs from this reallocation is $8 million per year, with an associated revenue reduction of $1.2 million, so that the net subsidy contribution is reduced by $6.8 million. If the full network recalibration effort is pursued over the coming years, the total "footprint" of Metrobus (as measured by fleet size, miles of service, etc.) could be reduced by 20 to 30 percent.

With all of the requirements, proposals, and initiatives described above in place, the estimated gross subsidy for FY2016 is $892 million, an increase of $84 million or 10 percent over FY2015. This is approximately $36 million below the subsidy figure presented in the November preview.

While the GM/CEO's budget does not assume or recommend it, this presentation also includes an option for consideration should the Board desire to decrease the request for jurisdictional funding increases to less than the recommended 10 percent. This option includes the reconsideration of Metrorail headway policies established by the Board for train frequencies from six to eight minutes in peak periods, and from 12 to 15 minutes in most off-peak periods. These difficult choices to align service with constrained funding would reduce expenses by approximately $24 million (with approximately half of the expense reduction resulting from the peak changes and half from the off-peak changes), but would also result in lower rail ridership and a revenue decline of $11 million. The $13 million net subsidy reduction would lower the incremental gross subsidy increase to 8.7 percent. Such a change would also push the average passenger per car (PPC) figures close to or above the Board-established standard of 100 PPC in the peak at a number of maximum-load points in the rail system, including Silver and Orange Lines eastbound in the AM peak at Courthouse and Rosslyn (110 to 113 PPC), Red Line eastbound in the PM peak at Metro Center (113 PPC), and Silver Line westbound in the PM peak at Foggy Bottom (111 PPC).

Changes to WMATA’s Business Model: Beyond FY2016

Although major structural changes cannot be achieved overnight, Management and the Board can begin to consider further changes to WMATA’s business models for Metrorail, Metrobus, and MetroAccess in order to further reduce cost growth over the next several years and offer local jurisdictions more control over the delivery of local services.

For Metrobus, the proposed service realignment between WMATA and the local operators is only the beginning of what could potentially be achieved. WMATA’s planning staff have been studying a potential ‘recalibration’ of the regional bus network that would essentially eliminate the current non-regional routes (that are primarily local in nature) and would instead identify and enhance ‘Principal’ routes to be operated by WMATA and ‘non-Principal’ routes to be operated by local jurisdictions. This recalibration would give the jurisdictions more control over the level of service on truly local routes, while allowing WMATA to focus on its strategic goals of improving regional mobility and connecting communities by providing efficient and effective regional service. Such a recalibration would ultimately reduce the “footprint” of Metrobus by 20 to 30 percent depending on the measure (e.g., the total Metrobus vehicle fleet would be

reduced from approximately 1500 to less than 1200). However, such a change would need to be implemented over a number of years, as it would require major changes for all operators in the region in terms of fleet sizes, garage facilities, and operator and mechanic labor forces.

For MetroAccess, more *coordination of services* is needed in order to mitigate the growth in MetroAccess trips and subsidy. The potential for a business model change is already visible in pilot programs that the District of Columbia (through its taxi pilot for dialysis patients) and Maryland (through its pilot with Community Support Services in Montgomery County) are supporting. In these pilots, targeted groups of MetroAccess riders are instead transported by taxis and by vans operated by Human Services Agencies (HSAs). Using this alternate transportation model, the average cost of these trips would be approximately $30 per trip, resulting in a jurisdictional savings of $20 per trip as compared to the average cost of a MetroAccess trip. The DC taxi pilot is expected to carry up to 100,000 trips per year when fully rolled out, which translates to a reduced subsidy contribution to WMATA of approximately $5 million, and a net savings for the District of $2 million. MetroAccess has already identified four other HSAs in Maryland for pilot programs, and if these efforts are successful, the potential to use taxis and HSAs in place of MetroAccess is substantial. These changes would not only be economically beneficial for the local jurisdictions, but would also provide customers with service that is either more flexible (via taxicabs) or more custom-tailored to their specific needs (through the HSAs).

Finally, as part of FY2017 budget process, it is recommended that staff and the Board begin an in-depth consideration of Metrorail fares, including the cost of rail relative to the cost of driving, the relationship between distance and fare paid, and the level of bus fares relative to rail. Given the inelasticity of transit demand, an across-the-board fare reduction would boost ridership, but not enough to overcome the need for a resulting net increase in subsidy contribution.

Budget Risks and Uncertainty

There continues to be substantial risk to Metro due to the heavy reliance upon annual federal appropriations of both formula funding and Passenger Rail Improvement and Investment Act (PRIIA) funding. If federal capital funding were reduced below current projections, safety projects would be given priority and all other capital projects would be vulnerable to reduction or deferral. Metro’s customers could experience more frequent delays, worsening reliability, deteriorating station conditions, longer lines and less customer information.

The federal transit benefit remains at $130 per month, well below the level of the federal parking benefit ($250 per month). This disparity continues to have a negative impact on Metro ridership, and this negative outlook is embedded in the FY2016 revenue forecasts. If Congress returns the transit benefit to parity with parking, staff will reevaluate the revenue forecasts.

Finally, Metro also faces risk from weather and other unforeseen impacts to ridership and revenue. Metro’s ridership forecasts assume a “normal” amount of bad weather, but extreme winter weather (such as in 2013-2014) or an event such as Hurricane Sandy in October 2012, which shut the entire Metro system for two days and reduced fare revenues by approximately $6 million, are not accounted for in the forecast.

Capital Budget Assumptions

Summary of FY2015, FY2016 and Six Year Forecasts

The FY2015 updated capital spending forecast is $947 million. Using this as the new baseline, the FY2016 proposed capital budget is $1.3 billion, and the FY2016-2021 total projected capital spending is $7.03 billion. The $1.3 billion proposed FY2016 program includes both on-going safety and state of good repair (SOGR) investments as well as a number of specific, large, non-recurring investments:

- **$850M in recurring safety/SOGR program, including:**
  - Approximately 130 replacement buses scheduled for delivery and 100 more buses will be rehabilitated
  - 23 escalators scheduled for replacement in FY2016
  - 25 escalators are planned for rehab as well as 16 elevators
  - Continue work on closing NTSB recommendations
  - Aggressive program for Track Rehabilitation to achieve a steady state of maintenance
  - Two major bus facilities (Cinderbed Road and Southern) will be under construction
  - A contract award for work on 13 rail station entrance canopies is expected, with work planned to start on four locations in FY2016
  - 12 Major and 12 minor station rehabs are planned for FY2016
  - Replace 150 MetroAccess vehicles and begin procurement of additional expansion vehicles to support increased ridership
  - Station Lighting Upgrades investments now shift from mezzanines to track bed improvements.
  - Two parking garage rehabilitations planned to be completed

- **$450M in one-time safety/SOGR and capacity investments planned for FY2016, including:**
  - $260M for 1000-Series railcar replacements
  - $157M Metro 2025 investments (includes $55M milestone payment for expansion railcars)
  - $25M NEPP milestone payment

As part of the Authority-wide transit asset management policy and strategy introduced by the GM/CEO in 2013, WMATA now has asset management plans for each major asset area (in line with MAP-21 requirements) in final draft form. Once these plans receive final approval, more detailed data collection and implementation efforts will begin, and the capital planning and programming process in future budget years will be guided by the asset management plans.

Capital Funding Assumptions:

Metro's FY2016 capital budget will be supported through a similar mix of federal funding, state and local funding, and long-term financing as in previous years:

Federal Funding:

- MAP-21 formula funding is assumed to remain flat over the six-year period.
- PRIIA funding is assumed to continue in FY2021 (via reauthorization and annual appropriation) at $150 million per year.

- Recently awarded resiliency grants are added to the program ($21M federal and $7M local match).

State and Local Funding:

- The CIP financial plan assumes the renewal of the Capital Funding Agreement among WMATA and the contributing jurisdictions.
- Continue Local Match and System Performance funding, with additional contributions in the later years of the CIP (FY2018-2021) for inflationary cost growth and future 2K/3K railcar replacement procurement.
- New Metro 2025 additional funding totaling $1.33 billion required in FY2016-2021 period, down approximately $300 million from previous estimates of $1.63 billion.

Long Term Financing:

- CIP financial plan assumes $590 million of long-term financing over the FY2016-2021 period to support projects, including the currently proposed issuance of up to $440 million in long-term debt, with the remainder not anticipated until later in the program.

Despite the historically large size of the program, the FY2016 capital budget will require no additional unplanned investment from the jurisdictions beyond the additional Metro 2025 funding. FY2016 capital funding sources include:

- $460M Federal Sources
- $345M State and Local Sources
- $233M Long Term Financing
- $155M Rollover (Previously Allocated Federal, State or Local Funding)
- $77 M New Metro 2025
- $30 M Land Sales (Royal Street)
- $15M Other Sources (Other Grants & Miscellaneous)

FUNDING IMPACT:

This informational item is a presentation of the FY2016 proposed budget. Total proposed FY2016 operating expenses are $1.8 billion; total proposed FY2016 capital expenditures are $1.3 billion.	
Project Manager:	Thomas J. Webster
Project Department/Office:	CFO/OMBS

TIMELINE:

Previous Actions	October 2014: Board discussion of Metrorail ridership. November 2014: Board preview of FY2016 operating and capital budgets.
Anticipated actions after presentation	January 2015: Board action to approve public hearings for FY2016-2021 CIP and federal grants as well as potential public hearings for proposed service changes. Spring 2015: Continued budget discussions; finalization of new Capital Funding Agreement; adoption of FY2016 operating and capital budgets.

RECOMMENDATION:

No recommendation at this time – information item only.

Washington Metropolitan Area Transit Authority

FY2016 Proposed Budget "Maintaining Momentum"

Finance & Administration Committee
December 4, 2014

Purpose

Present proposed FY2016 operating budget and FY2016-2021 CIP in support of *Momentum* and Management's business plan:

- ✓ Advance strategic goals
- ✓ Focus on financial reform and fatigue risk management
- ✓ Implement efficiency opportunities
- ✓ No planned fare increase
- ✓ Commit to Metro 2025 investments as part of renewed FY2016-2021 Capital Funding Agreement

Jurisdictional Subsidy

- Starting point is FY2015 approved gross operating subsidy of **$809 million**, excluding:
  - Existing debt service expense (+$21 million)
  - Preventive maintenance credit (-$31 million)
  - One-time FY2015 surplus (-$20 million)
- Nov. preview gross subsidy of **$929 million**
- Constrain subsidy growth while continuing to deliver quality service to customers

Operating Revenue

- Assumptions (as presented in November):
  - Flat ridership on rail
  - Ridership growth on bus and Access
  - Small increase in non-transit revenue
- Revenue decline of **$13 million** vs. FY2015 budget

Personnel Commitments

- 70 percent of annual cost supports personnel to plan, operate, maintain and manage service

- In FY16, baseline labor expenses will increase by **$60 million**
  - Fully funds wage and step increases, healthcare cost growth, pensions, and increased OPEB contribution

Non-Personnel Commitments

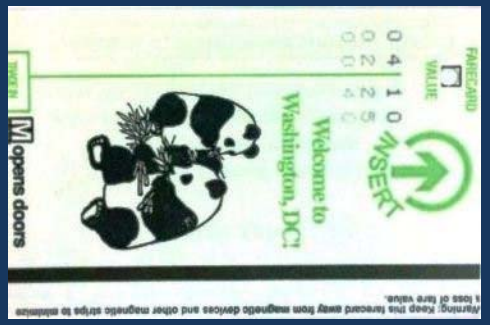
- MetroAccess service contract (anticipating continued growth)
- Non-personnel cost increases (parts, contracts, power and utilities, etc.)
- Total: **$16 million**

Continued Focus on Safety, Customers, Compliance, Efficiency

Safety

Customer Care

Financial Reform



Revenue Collection

$809M $899M $929M

Strategic Initiatives: Fatigue Risk Management

- Hours of Service compliance improving as bus operator vacancies have filled over last 6 months:
  - 7-day rule: compliance at >98%
  - 10-hour rule: compliance at 94%
- Targeted hiring to further improve compliance:
  - 75 bus operators
  - 18 track repairers
  - 4 EOC dispatchers

  $5.1 million

Strategic Initiatives: All Other

- Collaborative Risk Management
- HR organization modernization to support employee engagement
- Revenue collection and security efficiency pilot
- Elimination of paper farecards
- Insourcing of escalator maintenance
- Competitive parts procurement

What Was Not Included?

- Some worthwhile initiatives deferred given fiscal constraints:
  - PCN/SOGO bus investments
  - Expanded bus and station cleaning
  - Second rail de-stressing team
  - Second emergency response team (ERT)

$809M $904M $929M

Vacant Positions Identified

- Eliminate 25 percent of non-safety sensitive vacancies
- Positions are Authority-wide: communications, finance admin, IT, bus, rail, and TIES
- 50 eliminated positions = **$5 million** savings

$809M $899M $929M

Changes to the Metro Business Model for Bus and Paratransit

- Beyond FY2016: Consider structural shifts of Metrobus and MetroAccess services to local bus operators and Human Service Agencies
- Supports local control of service and allows WMATA to focus resources on regional services

The Future of MetroAccess

- Encourage more service coordination in DC and Maryland with taxicabs and Human Services Agencies
- Potential to reduce jurisdictional cost by 40 percent per trip
- Pilots have potential to grow substantially

MetroAccess Pilots in FY2016

- Build on positive experience with Community Support Services
- Four HSAs in Maryland identified for potential pilot programs:
  - ARC (Prince George's) – 15,000-20,000 trips
  - Ardmore (Prince George's) – 10,000 trips
  - Melwood (Prince George's) – TBD
  - ARC (Montgomery) – 2,000 trips
- Anticipated subsidy reduction of $1 million already included

Potential Metrobus Recalibration

- Designate “Principal” and “Non-Principal” Routes
- Non-Principal routes would be operated by local providers
  - Some non-regional WMATA routes become Principal
  - Some regional WMATA routes become Non-Principal
- Potential 20-30 percent reduction in overall Metrobus “footprint”

Initial Service Recalibration for Metrobus in FY2016

Shift candidate routes (or partial routes) from Metrobus to local operators during FY2016

- Peak buses affected: 21 in DC (Circulator), 55 in MD (RideOn, MTA, The Bus), and 31 in VA (ART, DASH, Connector)
- **Subsidy reduction = $6.8 million**
  - $8 million expense reduction, $1.2 million lost revenue

FY2016 Proposed Operating Budget

Operating Budget	FY2015 Budget	FY2016 Preview	FY2016 Proposed	Change vs. FY2015 $	Change vs. FY2015 %
Operating Revenues	$946	$933	$931	($15)	-1.6%
Operating Expenses	1,755	1,861	1,824	69	3.9%
Gross Operating Subsidy	**$809**	**$929**	**$892**	**$84**	**10.3%**
Preventive Maintenance	(31)	(31)	(31)	$0	--
Prior Year Surplus	(20)	0	0	$20	-100%
Debt Service	$21	$21	$21	($0)	--
Net Operating Subsidy	**$779**	**$919**	**$883**	**$103**	**13.3%**

figures in millions

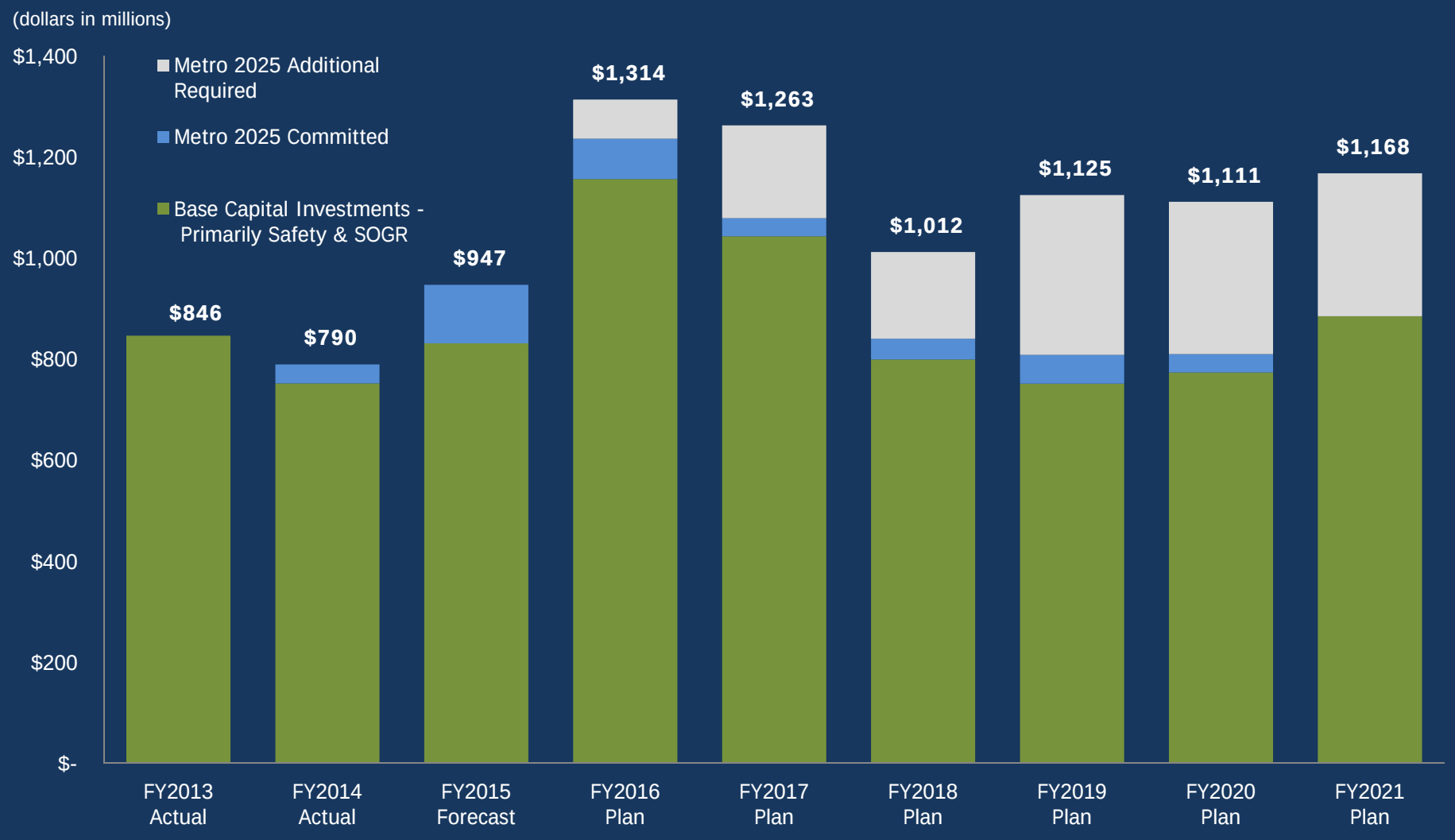
Example of Aggressive Options if Funding Unavailable

- To achieve $10-$15 million net subsidy reduction on rail requires frequency adjustments:
  - Increase headways in non-peak periods:
    - Midday/evening/Saturdays: 12 min → 15 min
    - Sundays: 15 min → 20 min
  - Increase weekday peak headways:
    - From 6 min → 8 min except on Blue Line
    - Add back some capacity by increasing 8-car trains
  - Average loadings will exceed 110 PPC at key locations (Rosslyn Orange/Silver Lines in the AM peak, Metro Center Red Line in the PM peak)
  - Public hearings and substantial outreach required

Beyond FY2016: Fare Policy

- Across-the-board fare reductions would boost ridership but increase net subsidy contribution
- Need in-depth review of fare structure and ridership impacts

FY2016-2021 Proposed CIP: Investment Level



FY2016-2021 Proposed CIP: Financial Plan Assumptions

Recommended CIP financial plan assumes:

- Flat federal formula funding ($293 million/year)
- PRIIA annual appropriation and reauthorization ($150/year)
- Renewal of Capital Funding Agreement
- Jurisdictional match and system performance funding
- $590 million of long-term debt
- $1,330 million of additional jurisdictional investment in Metro 2025 projects

FY2016-2021 Proposed CIP: Rebuilding the System

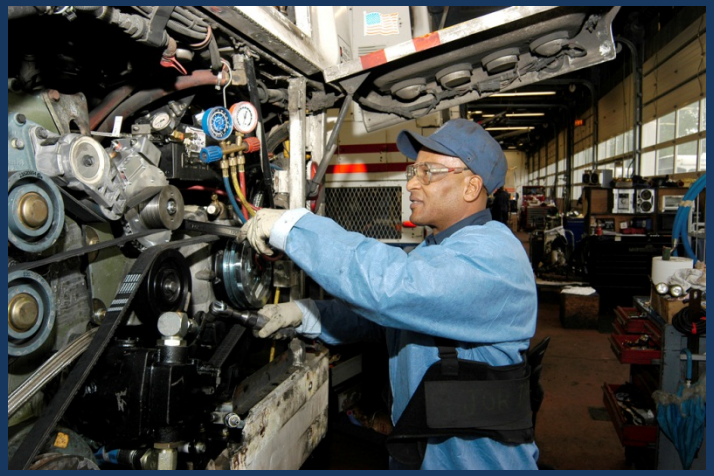
Safety & State of Good Repair

- 1K Railcar Replacement
- NTSB Recommendations
- Train control system software upgrade
- Bus, Rail, and Access Vehicle Replacement
- Escalator and Elevator Rehabilitation and Replacement
- Track and Structures Rehabilitation

- 2K/3K Railcar Replacement
- Replacement Bus Facilities
- New Electronic Payment System

Transit Asset Management Plans

- Quality information and clear objectives lead to better capital investment
- Required by MAP-21 for FTA grantees:
  - Asset inventories and condition assessments
  - Investment prioritization
- WMATA transit asset management policy and strategy introduced in 2013
- Draft final plans for each major asset area



8-Car Train Update

$1.55 Billion Planned investment FY2015-2021:

- ✓ 220 expansion vehicles delivered and in service by fall of 2021
- ✓ Yard capacity projects at New Carrollton and Heavy Repair and Overhaul Facility Complete
- ✓ Power upgrades over 90 percent complete by FY2021
- ✓ Will be able to operate current service with eight-car trains by end of 2021

Potential investments beyond FY2021:

- 72 additional expansion railcars
- Improvements at Brentwood and Glenmont Yards

Bus Priority Corridor Network

$110 Million planned investment FY2015-2021

- ✓ 120 expansion vehicles planned to support deployment of Priority Corridor Network (PCN)
- ✓ Complete Transit Signal Prioritization project on Leesburg Pike (TIGER grant program)
- ✓ Phased deployment of PCN lines throughout compact area (assumes jurisdictions make required associated roadway infrastructure investments)

Additional future investments

- 100 expansion buses and future bus facility
- Full deployment of Priority Corridor Network

FY2016-2021 Proposed CIP: Metro 2025 Additional Investment

Proposed CIP includes updated project schedules and cost estimates for Metro 2025 initiatives:

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	Total
Funded	$ 79.8	$ 35.5	$ 40.8	$ 56.9	$ 36.3	$ -	$249.3
Additional Required	$ 77.4	$183.9	$171.8	$316.3	$301.5	$282.9	$1,333.8
Total	$157.2	$219.4	$212.6	$373.2	$337.8	$282.9	$1,583.1

Next Steps

- **January 2015**: Board action to approve public hearings for FY2016-2021 CIP and federal grants as well as public hearings for proposed service changes
- **Spring 2015**: Continued budget discussions; finalization of new Capital Funding Agreement; adoption of FY2016 operating and capital budgets

Appendix: FY2016 Recommended Operating Budget

Personnel	FY2015 Approved	FY2016 Proposed	$ Change	% Change
Salary/Wages	$787.1	$821.2	$34.0	4.3%
Overtime	$74.9	$77.8	$2.9	3.9%
Fringe/Benefits	$410.1	$430.0	$19.9	4.9%
Total Personnel	**$1,272.2**	**$1,329.1**	**$56.9**	**4.5%**
Non-Personnel	**FY2015 Approved**	**FY2016 Proposed**	**$ Change**	**% Change**
Services	$209.7	$214.7	$5.0	2.4%
Materials & Supplies	$87.0	$89.2	$2.1	2.4%
Power Diesel CNG	$108.3	$110.4	$2.0	1.9%
Utilities	$39.7	$43.0	$3.3	8.3%
All other categories	$37.9	$37.5	($0.4)	-1.1%
Total Non-Personnel	**$482.6**	**$494.7**	**$12.0**	**2.5%**
Total Operating Expense	**$1,754.8**	**$1,823.7**	**$68.9**	**3.9%**

figures in millions

Appendix: FY2016 Jurisdictional Operating Investment (Preliminary)

($ millions)	FY 2015 Subsidy	FY 2016 Subsidy	Metrorail	Metrobus	*Regional*	*Non-Regional*	Metro Access	Debt Service
District of Columbia	**$293.6**	**$330.5**	**$101.7**	**$187.8**	***$150.6***	***$37.2***	**$30.3**	**$10.7**
Montgomery County	$130.4	$147.2	$58.0	$62.2	*$51.6*	*$10.6*	$22.1	$4.9
Prince George's County	$164.6	$188.6	$49.9	$85.5	*$61.1*	*$24.4*	$47.6	$5.5
Maryland Subtotal	**$295.1**	**$335.7**	**$107.9**	**$147.7**	***$112.7***	***$35.0***	**$69.6**	**$10.4**
City of Alexandria	$31.0	$35.0	$14.3	$19.6	*$16.2*	*$3.4*	$1.1	$0.0
Arlington County	$51.9	$59.3	$29.2	$29.0	*$27.6*	*$1.4*	$1.0	$0.0
City of Fairfax	$1.7	$1.9	$1.0	$0.7	*$0.7*	*$0.0*	$0.3	$0.0
Fairfax County	$103.9	$117.9	$48.9	$54.9	*$47.7*	*$7.1*	$14.1	$0.0
City of Falls Church	$2.1	$2.4	$0.9	$1.3	*$1.3*	*$0.0*	$0.1	$0.1
Virginia Subtotal	**$190.6**	**$216.6**	**$94.4**	**$105.5**	***$93.5***	***$12.0***	**$16.7**	**$0.1**
Total Subsidy	**$779.3**	**$882.8**	**$304.0**	**$441.0**	***$356.8***	***$84.2***	**$116.6**	**$21.2**

Note: Metrorail column includes both Base and Maximum Fare subsidies. Total Maximum Fare subsidy is $7.1 million.

Allocation analysis is preliminary and uses certain simplifying assumptions (particularly for Metrobus). Final allocation analysis will be reviewed in detail with jurisdictional staff prior to budget adoption.

Appendix: Metro 2025 Investments

Metro 2025 Initiative (dollars in millions)	FY2015 Investment	FY2016-2021 Planned Investment	Future Investment	Total 2025 Initiative
Eight Car Train and Core Station Improvements	$92	$1,451	$1,703	$3,246
Metrobus Priority Corridor Network and Bus Fleet Expansion	$22	$88	$638	$748
Next Generation Communications	$2	$34	$383	$419
New Blue Line Connections	$-	$5	$978	$983
Pocket Tracks and Crossovers	$-	$5	$978	$983
Total All Metro 2025 Projects	**$116**	**$1,583**	**$4,680**	**$6,378**