



Finance and Capital Committee

Action Item III-A

June 27, 2019

FY2019 and FY2020 Budget Amendments

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

Action Information

MEAD Number:
202082

Resolution:
 Yes No

TITLE:

Amend FY2019 and FY2020 Budgets

PRESENTATION SUMMARY:

Staff will present requested changes to the FY2019 operating and capital budgets and the FY2020 capital budget to fund additional personnel costs associated with a labor agreement and additional capital investments.

PURPOSE:

Seek Board of Directors (Board) amendment to FY2019 operating and capital budget and FY2020 capital budget to fund costs associated with the Drivers, Chauffeurs, and Helpers Local 639 International Brotherhood of Teamsters (Local 639) collective bargaining agreement, which increased personnel expenses for FY2019, and additional capital investments.

DESCRIPTION:

Key Highlights:

The Authority recently reached a labor agreement with Local 639 for Special Police which requires additional personnel expenses beyond the previously approved FY2019 operating budget. The additional local funding required is approximately \$403,000.

Furthermore, changes in capital project schedules, plans and scopes require accelerated funding in FY2019 and FY2020 for key projects. Staff recommends amending the FY2019 capital budget to increase funding authorization by \$110 million and the FY2020 capital budget by \$190 million to account for these costs.

Capital changes necessitating this amendment include the following:

- Platform rehabilitation and related work finalized scope
- 7000-Series railcar payment projected for FY2020 now due in FY2019
- Accelerated pace of track rehabilitation
- Advancement of Potomac Yard-related design and construction during BL/YL Shutdown
- Property acquisition for rail heavy repair and overhaul facility
- Ramp up of capital program management capacity

Background and History:

In March 2018, the Board of Directors approved the FY2019 operating and capital budget. Since that time, three amendments have been approved:

- June 2018 for the elimination of the Red Line Turnback and bus services.
- November 2018 to provide additional funding for the Amalgamated Transit Union's Local 689 (Local 689) and the Office and Professional Employees International Union's Local 2 (Local 2) labor settlements and ADA paratransit.
- March 2019 to provide funding for the International Brotherhood of Teamsters' Local 922 (Local 922) agreement and increased funding for platform reconstruction and office consolidation.

In addition to these amendments, Board approval is requested to provide funding for the Local 639 labor agreement and increase capital investments.

As last discussed with the Board in May 2019, Metro's capital program delivery rate continues to improve, with priority safety, reliability and cost-saving projects on or ahead of schedule. Because of project schedules being pulled forward, FY2019 and FY2020 capital program investment is now expected to exceed \$1.5 billion and \$1.7 billion respectively. The changes represent a total of \$300 million of capital program investment to address needs of at least \$15.5 billion in the coming decade. The additional investment requested is \$110 million in FY2019 and \$190 million in FY2020.

The increased capital project expenses of \$110 million in FY2019 and \$190 million in FY2020 will be covered by a combination of 1) debt funding made possible by dedicated funding, 2) increased federal grant funding, 3) reimbursable projects, and 4) additional sources. Planned debt utilization increases by \$329 million with no additional capital contribution from the jurisdictions. The \$29 million above the \$300 million increase in investment is for interest payments associated with additional borrowing.

The allocation of operating subsidy contributions by jurisdiction is included in Attachment A (Operating); details of the incremental capital funding sources are included in Attachment B (Capital).

Discussion:

When the budgets for FY2018 and FY2019 were approved, WMATA was still negotiating with several employee labor unions. The budgets for those fiscal years did not include estimates of employee wage increases that would result from those negotiations.

In July 2018, WMATA and Local 2 reached an agreement through collective bargaining that provided wage increases as well as greater employee contributions to health care. The personnel costs for fiscal year 2018 and fiscal year 2019 associated with that agreement were included in the budget amendment of November 2018. WMATA worked to reach a negotiated agreement with Local 689 as well, however, negotiations reached an impasse and the parties moved to binding arbitration. The arbitration award was issued in August 2018. The personnel costs for fiscal year 2018 and fiscal year 2019 associated with that award were included in the November 2018 budget amendment. ADA paratransit contract cost increases for FY2019 were also included in the November 2018 budget amendment. In February 2019, Metro reached an

agreement with Local 922 and the personnel costs for FY2019 were included in the March 2019 budget amendment.

The additional subsidy request from the jurisdictions to cover the incremental operating costs in FY2019 totals approximately \$403,000. With adoption of the Local 639 agreement, Metro has now reached agreements with four of five bargaining units.

Approval of the additional \$110 million in funding for the FY2019 capital program and an additional \$190 million in funding for the FY2020 capital program allows work to proceed ahead of schedule and enables Metro to fully utilize planned service outages, such as the six Blue and Yellow line stations south of Ronald Reagan Washington National Airport that are currently closed for platform reconstruction, therefore reducing future service disruptions for customers.

FUNDING IMPACT:

Budget:	Operating Budget, Fiscal 2019
Project Manager:	Dennis Anosike
Project Department/Office:	CFO/OMBS
This Action:	\$0.403 million
Remarks:	Additional budget funding to cover labor expenses

Capital Program	FY 2019	FY2020
Budget:	\$1,434 million	\$1,573 million
This Action:	\$110 million	\$190 million
With Approval:	\$1,544 million	\$1,763 million

TIMELINE:

Previous Actions	<p>March 2018 – Board approved the FY2019 operating and capital budgets</p> <p>June 2018 – Board approved an amendment to the FY2019 operating budget for rail and bus service increases</p> <p>November 2018 – Board amended the FY2018 and FY2019 Operating budgets to cover incremental labor costs from the collective bargaining agreement with Local 2 and the arbitration award for Local 689, plus additional ADA paratransit costs</p> <p>March 2019 - Board amended the FY2019 Operating budget to</p>
-------------------------	--

	cover incremental labor costs from the collective bargaining agreement with Local 922 and the FY20219 capital budget to fund additional capital investments
Anticipated actions after presentation	Jurisdictions provide additional contributions for FY2019 operating budget amendment

RECOMMENDATION:

Amend FY2019 operating budget to fund additional personnel costs associated with Local 639 collective bargaining agreement and amend FY2019 and FY2020 capital budgets to fund additional capital investments

FY2019 and FY2020 Budget Amendments

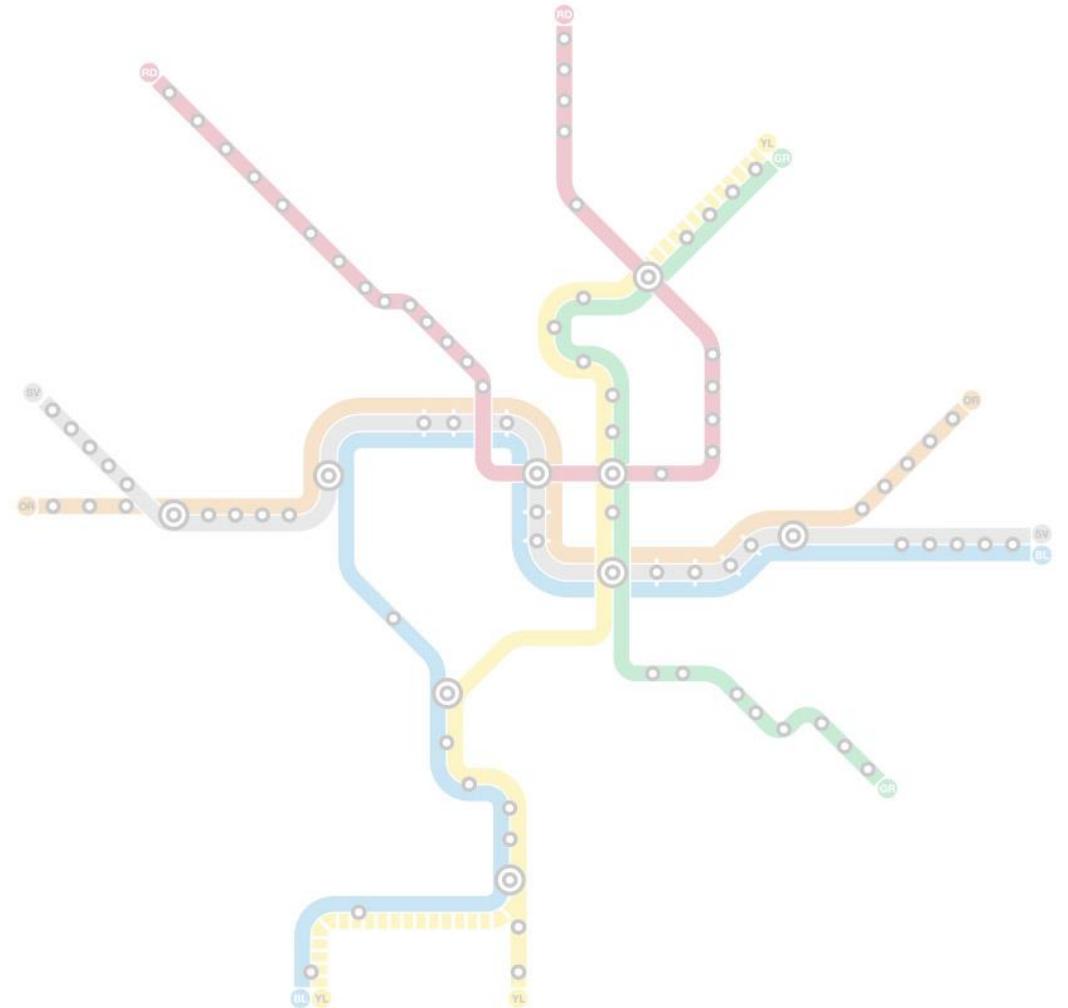
Finance & Capital Committee
June 27, 2019



Staff seeks board approval to amend FY2019 and FY2020 Budgets

- Amendment to FY2019 Operating Budget to fund costs associated with the Teamsters Local 639 collective bargaining agreement
- Amendments to FY2019 and FY2020 Capital Budgets to fund additional investments

FY2019 Operating Budget



FY2019 Operating Budget Recap

		BUDGET*	SUBSIDY
Mar 2018	 FY2019 Original Budget	\$1.806B	\$1.008B
Jun 2018	 Grosvenor Turnback Elimination, Bus Service Changes	\$6M	\$5M
Nov 2018	 Local 689, Local 2 Agreements, Paratransit, and 3T Bus Service	\$66M	\$66M
Mar 2019	 Local 922 Agreement	\$1M	\$1M
	 FY2019 Revised Budget	\$1.879B	\$1.081B

* Excludes reimbursables

Proposed FY2019 Operating Budget Amendment

Local 639 CBA will increase FY2019 Operating Budget and Subsidy by \$0.40M

(\$ in Millions)	Subsidy
FY2019 Revised Budget	\$1,080.793
Local 639 Labor Agreement	\$0.403
Required Subsidy	\$0.403
Updated FY2019 Base Subsidy	\$1,081.195

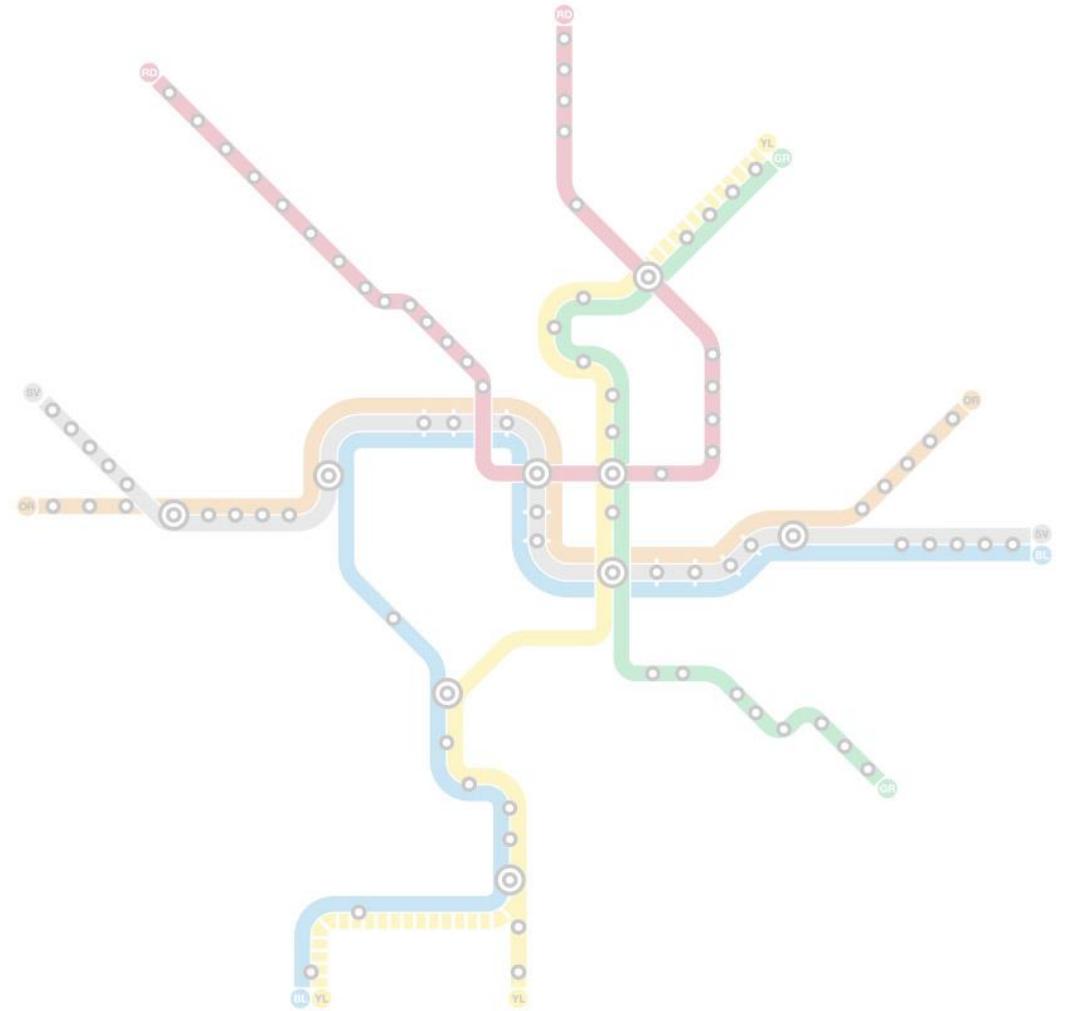
Note: Collective bargaining negotiations with the Fraternal Order of Police are still outstanding

Proposed FY2019 Operating Budget Amendment

Additional FY2019 Subsidy for Local 639 CBA is allocated based on current funding formula

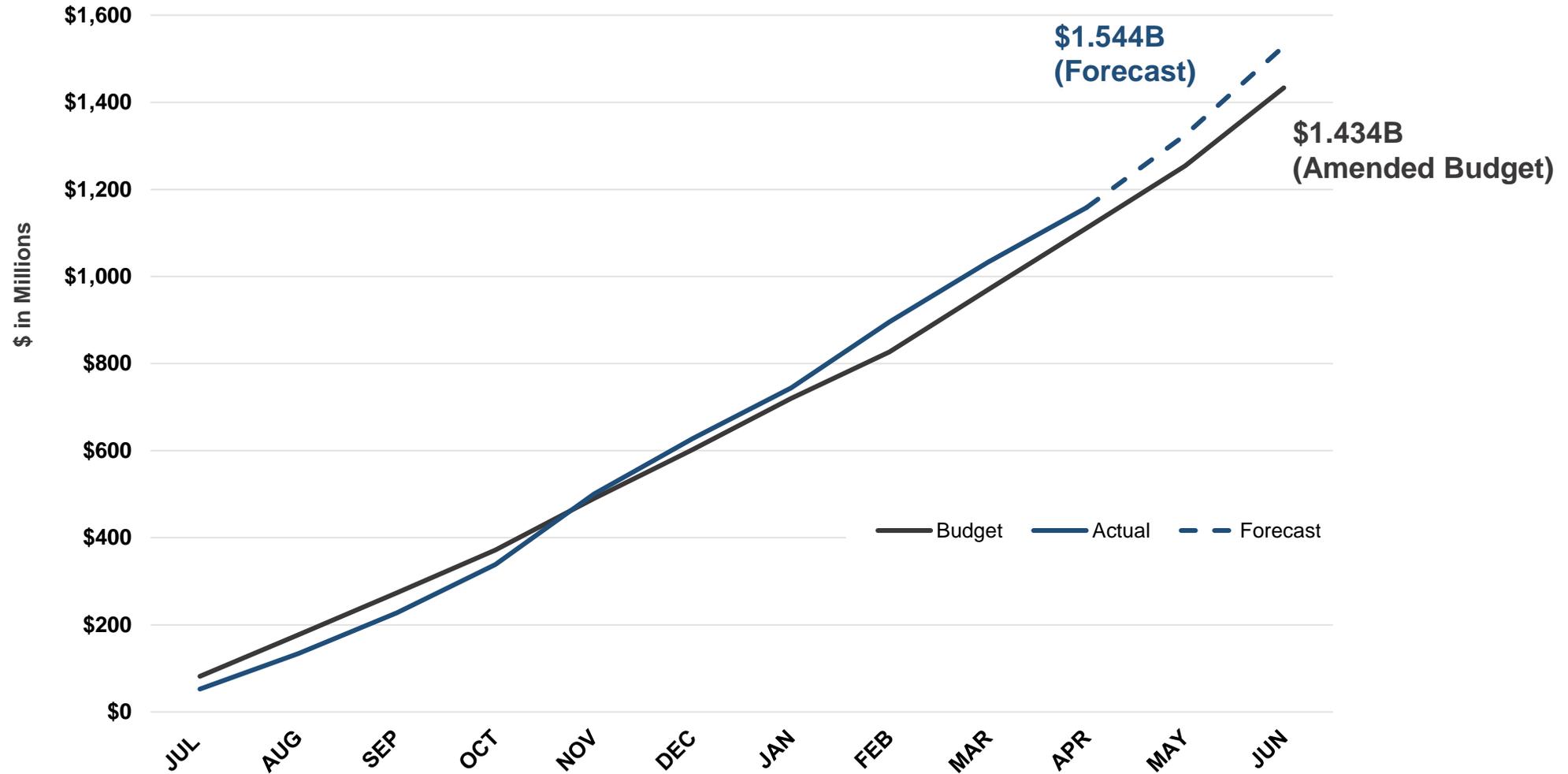
(\$ in Millions)	FY2019 Budget	L639 Adjustment	FY2019 Update
District of Columbia	\$392.127	\$0.150	\$392.277
Montgomery County	\$182.119	\$0.068	\$182.187
Prince George's County	\$231.560	\$0.067	\$231.628
Maryland Subtotal	\$413.679	\$0.135	\$413.815
City of Alexandria	\$44.841	\$0.019	\$44.860
Arlington County	\$75.350	\$0.036	\$75.386
City of Fairfax	\$2.490	\$0.001	\$2.491
Fairfax County	\$149.170	\$0.060	\$149.230
City of Falls Church	\$3.135	\$0.001	\$3.136
Loudoun County	\$0.000	\$0.000	\$0.000
Virginia Subtotal	\$274.986	\$0.117	\$275.103
Total Contribution	\$1,080.793	\$0.403	\$1,081.195

Capital Improvement Program



FY2019 Capital Improvement Program Forecast

FY2019 Capital investment delivery is forecasted at \$1.544B



Capital Improvement Budget Recap

Mar 2018



FY2019 Original Budget

FY2019

\$1.279B

Mar 2019



Increased funding for platform reconstruction and office consolidation

+\$155M

\$1.434B

Mar 2019



FY2020 Budget

FY2020

\$1.573B

Capital Improvement Program Funding Summary

Additional funding need of \$300M to support FY2019 and FY2020 capital projects

Category (\$ in Millions)	FY2019	FY2020	Major Drivers
FY2019 Revised & FY2020 Original	\$1,434	\$1,573	
<i>Additional Investment</i>			
Railcar	\$6	\$80	7K Railcars Procurement, Railcar Heavy Repair and Overhaul Facility, Railyard Facilities
Rail Systems	(\$8)	\$30	Power Program Ramp Up, ATC Materials Delivery and Major Yard Rehabilitation Commencing, and NTSB Initiatives
Track & Structures	\$10	\$13	Track Rehabilitation Acceleration, Tunnel Water Mitigation, Track Cleaning Equipment
Stations & Pass. Facilities	\$84	\$30	Platform Rehabilitation (Huntington Station Entrance), Potomac Yard contract, Parking Garage Rehab, Station Lighting, Fare Collection
Bus & Paratransit	(\$8)	(\$5)	Bus Spare Parts Delivery Delays, Reduction of Rehab Kit Need, Non-purchase of Articulated CNG Buses in FY20
Business Support	\$26	\$42	Capital Program Management augmentation, Roof Rehab, Station Commercialization, and Office Consolidation Initiatives
Total Additional Investment	\$110	\$190	
Updated Capital Investment	\$1,544	\$1,763	

Capital Improvement Program by Funding Source

Planned capital investment increases of \$190 million will not increase FY2020-2025 approved jurisdictional contributions

(\$ in Millions)	FY2020-FY2025		
	Original	Update	Variance
Federal Grants ¹	\$2,922	\$2,905	(\$16)
State and Local	\$2,582	\$2,582	\$0
Dedicated Funding for Capital ²	\$2,866	\$2,736	(\$130)
Debt	\$445	\$753	\$308
Carry Over	\$0	\$40	\$40
Reimbursables	\$450	\$438	(\$12)
Grand Total	\$9,265	\$9,454	\$190

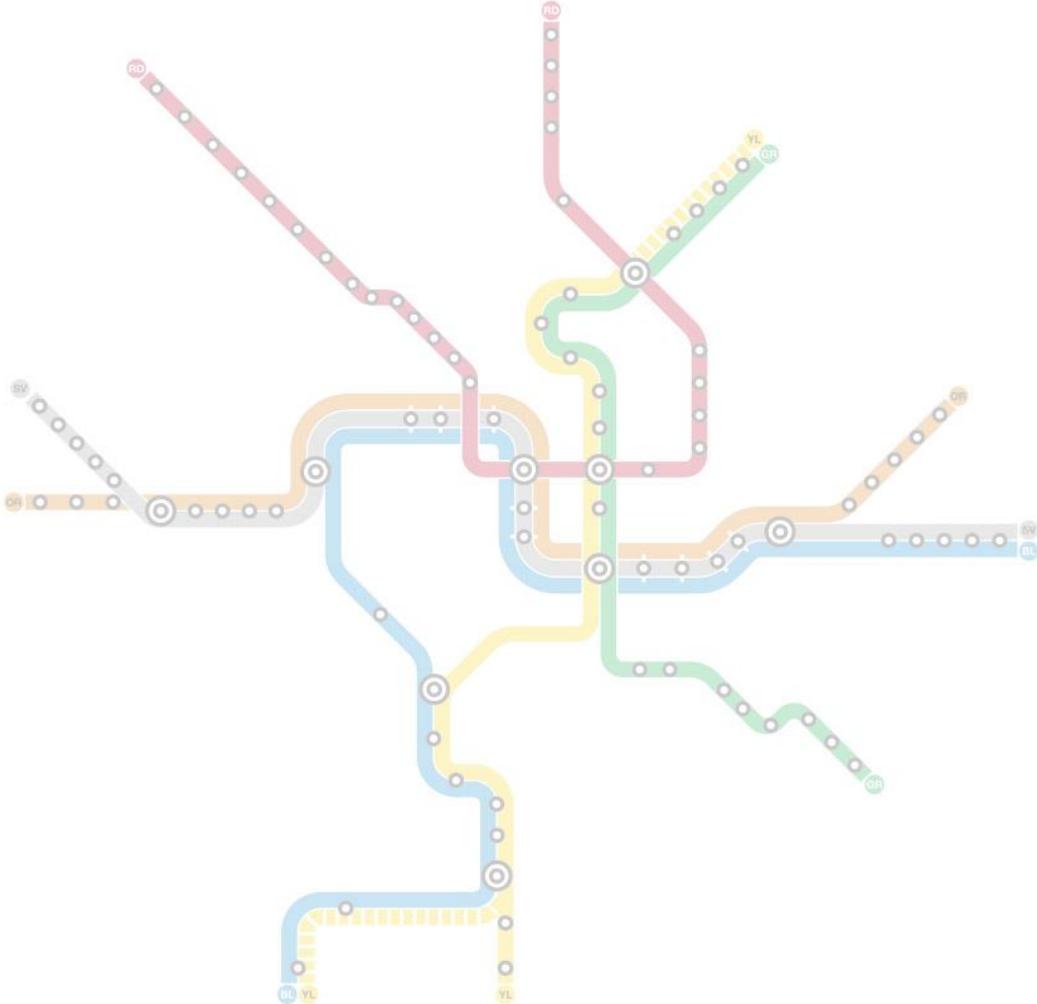
1. Assumes PRIIA reauthorization and jurisdiction allocation based on traditional model.

2. \$500M per year less debt service

Staff recommends:

- Amend FY2019 Operating Budget to fund additional costs associated with Local 639 collective bargaining agreement
- Amend FY2019 and FY2020 Capital Budgets to fund additional capital investments

Appendix



Capital Improvement Program

FY2019 and FY2020 Capital Program Changes

Major Drivers

- Acceleration in project schedules
 - ✓ Track Rehabilitation increased efficiency
 - ✓ Silver Line Phase II milestone payment now due in FY2019
 - ✓ Acquisition of property for Heavy Overhaul and Repair Facility in FY2020
 - ✓ 7000-Series railcar payment now due in FY2019
 - ✓ Roof Rehabilitation construction
- Project plans and scopes developed
 - ✓ Platform Reconstruction Program baseline schedule finalized and increase in related work
 - ✓ Potomac Yard activities design and construction accelerated during shutdown
- Build out of Capital Program Management capacity

Dedicated Funding

- Will enable Metro to use debt to manage program cash flow needs
- No change to approved jurisdictional contributions



Track Rehabilitation



Heavy Overhaul and Repair Facility Site



Braddock Road Station

Capital Program Forecast

FY2019 and FY2020 capital investment forecast by investment category

(\$ in Millions)	FY2019 Budget	FY2019 Forecast (June)	Variance	FY2020 Budget*	FY2020 Forecast (June)*	Variance
Railcar	\$369	\$375	\$6	\$272	\$352	\$80
Rail Systems	\$174	\$166	(\$8)	\$200	\$230	\$30
Track and Structures Rehabilitation	\$153	\$163	\$10	\$167	\$180	\$13
Stations and Passenger Facilities	\$338	\$422	\$84	\$491	\$521	\$30
Bus and Paratransit	\$197	\$189	(\$8)	\$195	\$190	(\$5)
Business Support	\$203	\$229	\$26	\$225	\$267	\$42
Total Capital Programs	\$1,434	\$1,544	\$110	\$1,550	\$1,740	\$190

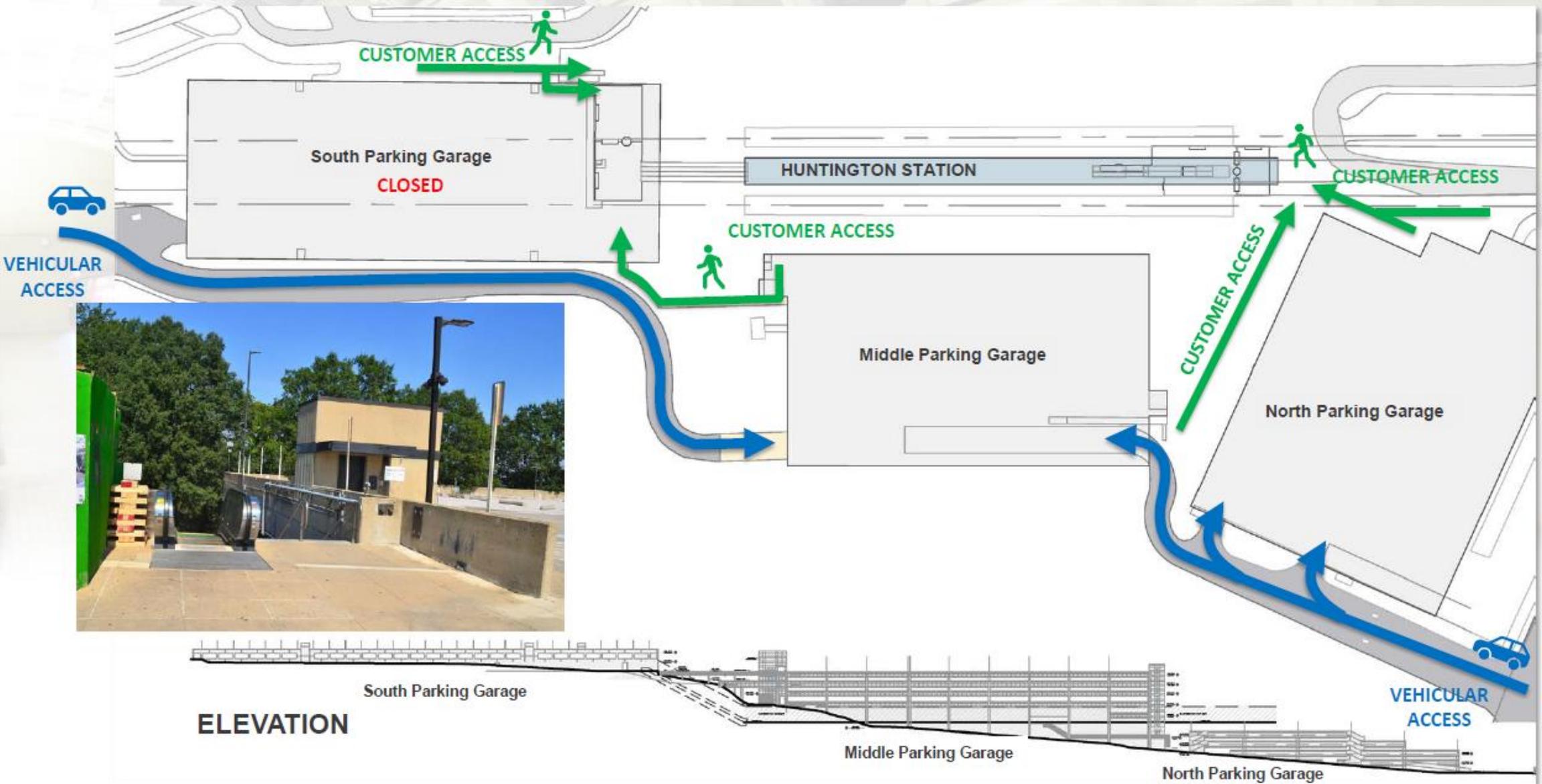
*Totals exclude \$23.4M for service disruptions associated with major capital projects.

Capital Program Forecast

Capital Improvement Program – Allocation of Federal, State & Local Resources

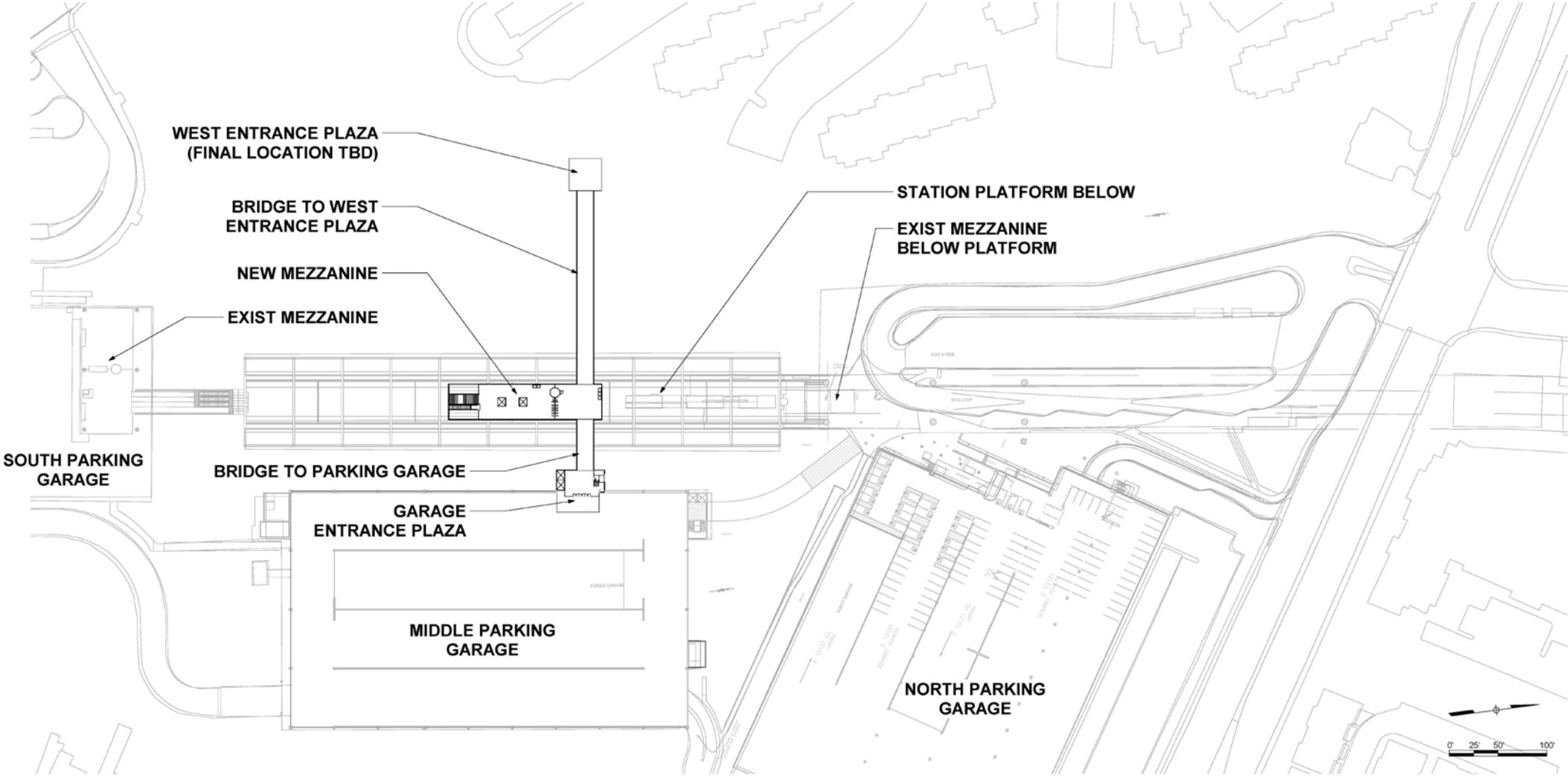
CIP Financial Plan - Allocation of State & Local Contributions							
(\$ in Millions)		FY2019 Amendment	FY2019 Update	Variance	FY2020 Budget	FY2020 Update	Variance
Federal Funding	Federal Grants	\$503	\$513	\$10	\$501	\$510	\$9
Local Match, System Performance & Debt Strategy	District of Columbia	\$125	\$125	\$0	\$321	\$321	\$0
	Maryland	\$158	\$158	\$0	\$308	\$308	\$0
	Virginia	\$241	\$241	\$0	\$282	\$282	\$0
	Debt Strategy	\$263	\$263	\$0	\$92	\$245	\$153
Total		\$787	\$787	\$0	\$1,002	\$1,155	\$153
	Reimbursable Projects	\$43	\$64	\$22	\$71	\$58	(\$12)
	Other Sources / Add'l Debt	\$101	\$179	\$79		\$40	\$40
Grand Total		\$1,434	\$1,544	\$110	\$1,573	\$1,763	\$190

Huntington Station



Huntington Station

New Entrance – Site Plan



Plan

Sequence:

- Build a new station entrance at the middle garage
- Open the new entrance
- Close the existing south entrance
- Demolish the south garage and entrance
- Re-build south entrance, parking garage, bus loop

Time Line:

- New entrance at the middle garage would open in 2021
- Demolition of the south garage and south entrance, approximately 12 months
- Rebuilt infrastructure

SUBJECT: AMEND FISCAL YEAR 2019 OPERATING BUDGET FOR LOCAL 639 COLLECTIVE BARGAINING AGREEMENT AND FISCAL YEAR 2019 AND 2020 CAPITAL BUDGETS FOR INCREASED CAPITAL PROJECT COSTS

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

WHEREAS, Resolution 2011-30 requires approval of the Board of Directors to adjust the total operating and capital budgets; and

WHEREAS, WMATA reached a contract settlement with the International Brotherhood of Teamsters Local 639, which increased personnel expenses for Fiscal Year (FY) 2019; and

WHEREAS, WMATA has increased the amount of capital investment in FY2019 and FY2020, resulting in additional costs for FY2019 and FY2020 capital budgets to fund increased cost in the platform reconstruction program, increased track rehabilitation, the Potomac Yard design-build, property acquisition for the rail heavy repair and overhaul facility, railcar procurement and the ramp up of the capital program management capability;

NOW, THEREFORE, be it

RESOLVED, That the FY2019 operating budget is increased by \$0.403 million to be shared by the jurisdictions as shown in Attachment A; and be it further

RESOLVED, That the FY2019 capital budget is increased by \$110 million to be funded by additional grants, reimbursable project funding, the use of the lines of credit, and other sources as shown in Attachment B; and be it further

RESOLVED, That the FY2020 capital budget is increased by \$190 million to be funded by additional grants, debt, and other sources also as shown in Attachment B; and be it finally

RESOLVED, That to have the FY2019 budget amendments effective during FY2019 this Resolution is effective immediately.

Reviewed as to form and legal sufficiency,



Patricia Y. Lee
General Counsel

WMATA File Structure No.:
4.2.2 Fiscal Year Budgets

PROPOSED

Attachment A
Operating Subsidy by Jurisdiction

(\$ in Millions)	FY2019 Budget	Amendment	FY2019 Update
District of Columbia	\$392.127	\$0.150	\$392.277
Montgomery County	\$182.119	\$0.068	\$182.187
Prince George's County	\$231.560	\$0.067	\$231.628
Maryland Subtotal	\$413.679	\$0.135	\$413.815
City of Alexandria	\$44.841	\$0.019	\$44.860
Arlington County	\$75.350	\$0.036	\$75.386
City of Fairfax	\$2.490	\$0.001	\$2.491
Fairfax County	\$149.170	\$0.060	\$149.230
City of Falls Church	\$3.135	\$0.001	\$3.136
Loudoun County	\$0.000	\$0.000	\$0.000
Virginia Subtotal	\$274.986	\$0.117	\$275.103
Total Contribution	\$1,080.793	\$0.403	\$1,081.195

Attachment B

Capital Improvement Program – Allocation of Federal, State & Local Resources

CIP Financial Plan - Allocation of State & Local Contributions							
(\$ in Millions)		FY2019 Amendment	FY2019 Update	Variance	FY2020 Budget	FY2020 Update	Variance
Federal Funding	Federal Grants	\$503	\$513	\$10	\$501	\$510	\$9
Local Match, System Performance & Debt Strategy	District of Columbia	\$125	\$125	\$0	\$321	\$321	\$0
	Maryland	\$158	\$158	\$0	\$308	\$308	\$0
	Virginia	\$241	\$241	\$0	\$282	\$282	\$0
	Debt Strategy	\$263	\$263	\$0	\$92	\$245	\$153
Total Local Match, SP & Debt		\$787	\$787	\$0	\$1,002	\$1,155	\$153
	Reimbursable Projects	\$43	\$64	\$22	\$71	\$58	(\$12)
	Other Sources / Add'l Debt	\$101	\$179	\$79		\$40	\$40
Grand Total		\$1,434	\$1,544	\$110	\$1,573	\$1,763	\$190