



Finance and Capital Committee

Information Item III-A

February 25, 2021

FY2022 Operating Budget Work Session

Washington Metropolitan Area Transit Authority

Board Action/Information Summary

☐ Action ☒ Information

MEAD Number:
202251

Resolution:
☐ Yes ☒ No

TITLE:

FY2022 Operating Budget Work Session

PRESENTATION SUMMARY:

Present additional details on FY2022 Proposed Operating Budget and respond to Board member questions.

PURPOSE:

Provide greater details on FY2022 Proposed Operating Budget, including funding and service levels and staffing impact, and respond to Board member questions.

DESCRIPTION:

Identification of Parties with an interest in Metro's budget:

The following list includes Metro's top non-personnel multi-year contractors through FY2021 and to date (\$500 million) as well as the Metropolitan Washington Airports Authority. Some vendors have contracts spanning through FY2022 as well.

- Kiewit Infrastructure Company
- Kawasaki Rail Car Inc.
- PNC Bank National Association
- SunTrust Bank
- C3M Power Systems, LLC
- Transdev Services, Inc.
- Gannett Fleming-Parsons Joint Venture II
- Mott MacDonald I&E, LLC
- New Flyer of America, Inc.
- Bank of America NA
- Wells Fargo Commercial Services
- Clerk, U.S. Court
- Motorola Solutions Inc.
- M.C. Dean, Inc.
- Mythics, Inc.
- Potomac Yard Constructors
- First Transit, Inc.
- Diamond Transportation Service, Inc.
- Dell Marketing LP
- HNTB Corporation
- Metropolitan Washington Airports Authority (MWAA)

A full list of Procurement Awards is available at:

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

Furthermore, Metro has labor agreements with the following collective bargaining units:

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

Key Highlights:

- The Proposed FY2022 Operating Budget totals \$1.97 billion; based on federal funding support from the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (Relief Act), that reduced Metro's funding gap from an estimated \$724 million to \$210 million
- The Relief Act funding is insufficient to close FY2022 Budget funding gap; requiring additional service reductions that impact customers and Metro's workforce if additional funding is not forthcoming
- To lessen the impact to our riders, jurisdictional partners, and employees, Metro will maintain current service levels through December 2021, and implement taking additional Management actions of \$58 million, maintaining investment in the capital program
- Without additional funding, significant service reductions will become effective in the second half of FY2022; yielding net savings of \$171.4 million including total FTE reduction of more than 2,500 positions.

Background and History:

In September, staff previewed Metro's FY2022 operating budget with the pandemic expected to impact Metro and the region through FY2022.

The Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (Relief Act) passed by Congress and signed into law in December 2020 will provide an estimated \$610 million of emergency funding to WMATA. In January, the Board amended FY2021 Budget to utilize \$95.6 million in Relief Act funds to close FY2021 Budget funding gap, leaving \$514.5 million available for FY2022 Budget.

Discussion:

In January, the GM/CEO revised Metro's FY2022 Budget recommended to utilize available Relief Act funding to limit subsidy contribution from jurisdictional partners, incentivize ridership growth and support the regional economy by:

- Maintaining current Metrorail service levels while enhancing Metrobus service levels during the first six months of FY2022
- Achieving \$58.4 million in savings including seeking CBA wage and pay-for-

performance deferrals

- Continuing Preventive maintenance activity charged to the capital budget \$60 million to preserve borrowing capacity and protect the capital program
- Budgeting for Silver Line Phase 2 revenue service starting in July 2021
- Including \$20 million to mitigate Silver Line Phase 2 service equity impacts
- Maintaining FY2022 Base Subsidy at FY2021 level of \$1.11 billion

Closing the remaining FY2022 Budget gap would require additional funding or Metrorail and Metrobus service changes and employee cuts of \$171.4 million beginning in January 2022. Last month, the Board authorized a revised public hearing docket with these assumptions and proposals detailed below.

Ridership and Revenue:

With continued uncertainty around the pandemic and rider sentiment, FY2022 Proposed Budget assumes ridership will recover to approximately 96 million trips or 31 percent of pre-pandemic levels inclusive of proposed service reductions.

Revenue from passenger fares is forecasted to be constrained by volume and trip mix. Metrorail ridership, which typically accounts for a greater percentage of revenue, is recovering at a slower pace than Metrobus ridership, resulting in lower average fare.

Proposed Rail Service:

Prior to Relief Act funding, FY2022 Proposed Budget reduced Metrorail service to 20 percent of pre-pandemic levels beginning on July 1, 2021. The proposed budget also provides revenue service beginning July 2021 for SLV2. With additional Relief funding, Metro now recommends maintaining 80 percent of pre-pandemic Metrorail service until December 2021, after which, Metrorail service would be reduced to 30 percent of pre-pandemic service for the last six months of FY2022 to generate net savings of \$69.4 million, requiring a reduction of 1,147 FTEs. Specific reductions that would take effect on January 1, 2022 include:

- Reduced service span 5:00 AM-9:00 PM, 7 days per week
- 30-minute headways on Red/Blue/Orange/Green/Yellow/Silver (10-15 minute headways in the core)
- Yellow Line and Red Line Turnbacks
- Closure of 22 stations

Proposed Bus:

The original FY2022 Proposed Budget reduced Metrobus service to 45 percent of pre-pandemic levels beginning on July 1, 2021. With the additional Relief funding, Metro now recommends maintaining approximately 80-85 percent of pre-pandemic Metrobus service until December 2021, after which Metrobus service would be reduced to 50 percent of pre-pandemic service and staffing will be reduced by 1,414 FTEs for the last six months of FY2022 to save \$102 million to close the remaining funding gap. Specific reductions that would take effect on January 1, 2022 include:

- Consolidate the Metrobus system into 50 lines of service
- Continue to operate high ridership arterial services providing needed capacity and reliability but with increased reliance on transfers to complete many trips
- Lower ridership routes would be consolidated to provide for access to transit, with

reduced coverage and span options, to link the most transit dependent communities with framework services to support essential travel

Preliminary Jurisdictional Subsidy

Jurisdictional contributions for the proposed operating budget total \$1.23 billion. This includes \$1.11 billion FY2022 capped subsidy amount, which has been kept at the FY2021 level, as well as legislatively allowable costs of \$42 million, and \$72 million of debt service. The subsidy allocation will be updated when FY2022 service levels are finalized and the budget is adopted.

FUNDING IMPACT:

No funding impact. This is an information item that provides additional detail on the Proposed FY2022 Operating Budget.

TIMELINE:

Previous Actions	<p>December 2020 – GM/CEO presented, and Board authorized public hearings on, the Proposed FY2022 Operating Budget and FY2022-2027 Capital Improvement Program</p> <p>January 2021 - Board authorized changes to FY2022 public hearing docket</p>
Anticipated actions after presentation	<p>February – March 2021 – Budget deliberations, public outreach and public comment period</p> <p>April 2021 – planned Board adoption of the FY2022 Operating Budget and FY2022-2027 CIP; and Submit Federal grant applications</p> <p>July 2021 – Fiscal Year 2022 begins</p>

RECOMMENDATION:

Information item only.

GM/CEO's FY2022 Proposed Budget

Operating Budget Work Session

Finance and Capital Committee
February 25, 2021



Purpose

- Provide additional detail on FY2022 Proposed Operating Budget and Service implications
- Respond to Board member operating budget questions

Budget Premise

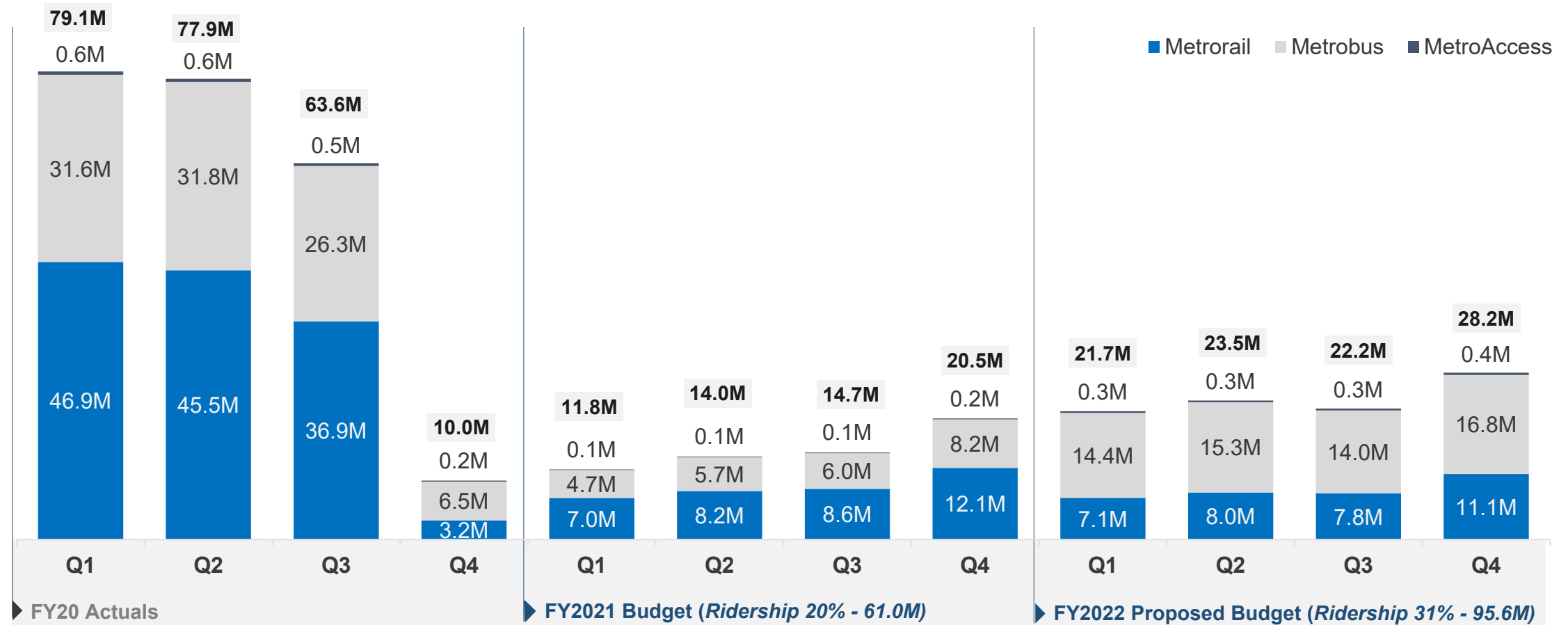
- Based on Dec 27, 2020 federal relief funds, additional federal relief will give the Board more time and budget options
- Assumes July 1 SLV2 revenue service, but should that change, the Board will have additional options
- Utilizes conservative ridership assumptions while virus is still active; ridership improvement will relieve Operating budget pressure



Estimated Covid-19 Relief Distribution Summary

<i>\$ in Millions</i>	Amount
Nationwide Apportionment	\$13,271
Regional share	\$830
WMATA allotment <i>(86.5% of regional)</i>	\$718
Local Bus Operators	(\$108)
Available WMATA Funding	\$610
FY2021 Utilization	(\$96)
FY2022 Available Funding	\$514

Ridership by Mode Through FY2022



Revenue Rebounds with Vaccine Availability but Still Significantly Below Historic Levels

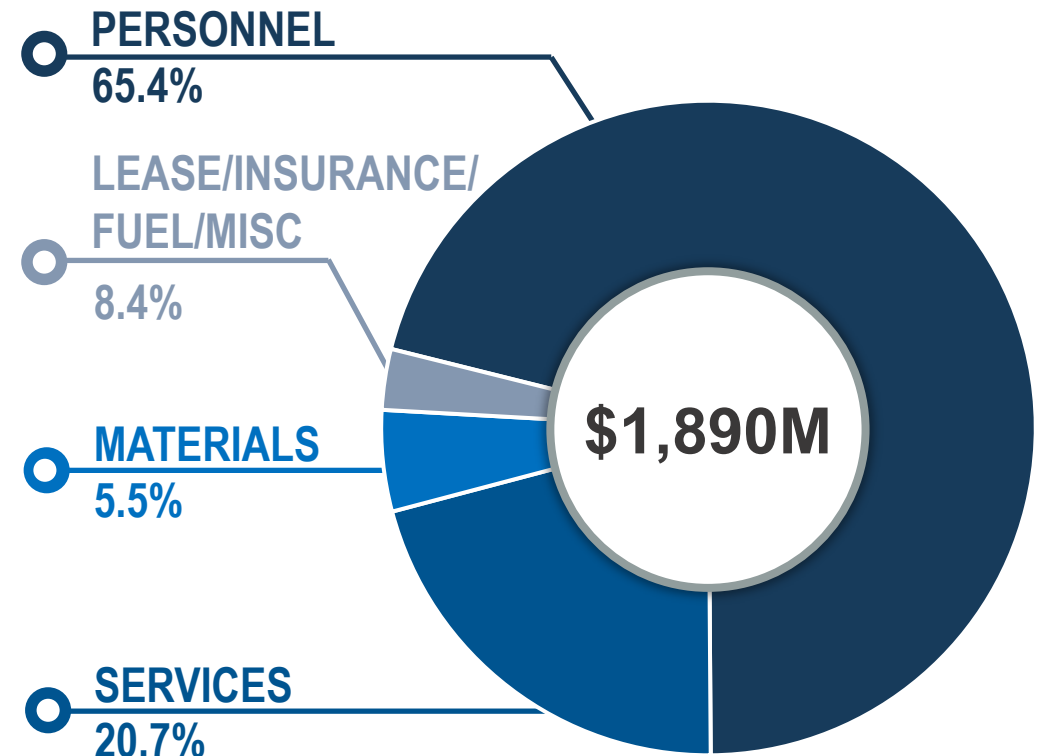
<i>\$ in Millions</i>	FY2019 Actual	FY2020 Actual	FY2021 Budget	FY2022 Proposed
Fare Revenues	\$666.3	\$485.0	\$114.9	\$153.6
Non-Fare Revenues ¹	\$118.3	\$95.8	\$65.7	\$68.4
Generated Revenue	\$784.6	\$580.8	\$180.6	\$222.0
Federal Funds	-	\$221.0	\$642.0	\$514.5
Total Revenue	\$784.6	\$801.7	\$822.5	\$736.5

¹ Includes Parking Revenue

Expenses Driven by Restoration of Paratransit, Investment in Equity, and Pandemic Related Costs

\$ in Millions

	FY2019 Actual	FY2020 Actual	FY2021 Budget	FY2022 Proposed
Personnel	\$1,288.6	\$1,349.7	\$1,310.7	\$1,236.0
Non-Personnel	\$576.6	\$577.5	\$623.4	\$653.6
Total	\$1,865.2	\$1,927.2	\$1,934.1	\$1,889.6



Proposed Actions to achieve a balanced Budget

<i>\$ in Millions</i>	FY2022 Baseline	Management Actions	Service	Equity	FY2022 Proposed
Revenue	\$240.2	-	(\$18.0)	-	\$222.0
Expense	\$2,117.5	(\$58.4)	(\$189.6)	\$20.0	\$1,889.6
Operating Deficit	\$1,877.3	(\$58.4)	(\$171.4)	\$20.0	\$1,667.5
FY2022 Subsidy	\$1,153.1				\$1,153.1
Funding Gap	(\$724.2)	\$58.4	\$171.4	(\$20.0)	(514.5)
Relief Fund	\$514.5	-	-	-	\$514.5
Remaining Gap	(\$209.8)	\$58.4	\$171.4	(\$20.0)	\$0.0

Service Proposals

Relief Act Continues Service for First Half FY2022

Maintain current level of Metrorail service

Build on Metrobus service improvements for Fall 2021

Operate Silver Line 2 from Ashburn to Largo Town Center

Support social distancing as demand grows

No FTE reductions in CY2021

Proposed Service Reductions for Second Half of FY2022

Net savings of \$171.4M during last six months of FY2022 requires service reductions effective January 2, 2022

- **Rail:** Reduce Metrorail service from FY2021 levels to operate flat headways service 7 days, closing at 9PM, every 30 min (RD/BL/OR/GR/YL/SV)/10-15 min in core. Short turns on YL, RD. Close up to 22 stations.
 - ✓ **Net Savings: \$69.4M FTE Reductions: 1,147**
- **Bus:** Reduce scope of Metrobus network to half of Pre-Pandemic levels; focusing mainly on high ridership arterial services to provide needed capacity and reliability but, with increased reliance on transfers to complete many trips. In addition to continuing highest ridership routes in current framework form and span, lower ridership routes would be consolidated to provide for access to transit but, with reduced coverage and span options, to link the most transit dependent communities with framework services to support essential travel.
 - ✓ **Net Savings: \$102M FTE Reductions: 1,414**

Total Net Savings: \$171.4M

Total FTE Reductions: 2,561

Service Comparison

Q1/Q2 FY2022 (FY2021 Amended Service)

Rail 80% of pre Covid-19 service

Span: Close 11 pm, 7 days

Frequency:

Weekdays: 12 min BL/OR/GR/YL/SV / 6 min RD

Weekends: 15 min BL/OR/GR/YL/SV / 12 min RD

Bus 80-85% of pre Covid-19 service

Extend to 2 am on 34 lines 7 days

7 lines/restore weekday peak coverage

4 lines with full or partial restoration of all-day service

10 lines with restoration of Saturday service

9 lines with restoration of Sunday service

Q3/Q4 FY2022 Proposed

Rail 30% of pre Covid-19 service

Span: Close 9 pm, 7 days

Frequency:

Every day: 30 min BL/OR/GR/YL/SV / 15 min RD

Turnbacks: Short turns on YL, RD Lines

Closures: Close up to 22 stations

Bus 50% of pre Covid-19 service

Rollback all FY2021 revised additions




































Total FTE Reduction: 2,561

Temporary Metrorail Stations Closure to Cut Costs

The following 22 stations are proposed for closure effective January 2022

Nineteen of these stations were closed early in the COVID-19 crisis and were selected based on close proximity to other stations, low ridership, no major bus service and not serving critical facility (hospital, grocery store).

Rail Station Closures

1	 	Archives	9	  	Federal Center SW	17	 	Morgan Blvd
2		Arlington Cemetery	10	  	Federal Triangle	18	 	Mt Vernon Sq
3		Cheverly	11		Greensboro	19		Reston Town Center*
4	 	Clarendon	12		Grosvenor-Strathmore	20	  	Smithsonian
5		Cleveland Park	13		Innovation Center*	21		Van Dorn
6	 	College Park-U of Md	14		Judiciary Sq	22	 	Virginia Sq
7	 	East Falls Church	15		Loudoun Gateway*			
8		Eisenhower Ave	16		McLean			

* Pending opening of Silver Line Phase 2

FY22 Service Reductions	Estimated 6-month Cost Savings (In \$M)
Span reduction - all lines - 7 days, from 11pm to 9pm	(\$9.2)
30-minute Frequency - 7 days, Blue	(\$6.2)
30-minute Service Frequency - 7 days, Orange	(\$9.1)
30-minute Service Frequency - 7 days, Silver	(\$9.7)
30-minute Service Frequency -7 days, Green	(\$7.5)
30-minute Service Frequency - 7 days, Yellow	(\$9.2)
Short turns - Yellow to Mt. Vernon Sq, 7-days	(\$1.9)
15- Service Frequency -7 days, Red end-to-end (Glenmont to Shady Grove)	(\$15.2)
Short turns - Red, 7-days, on 50% of trips to provide 30-minute service from Shady Grove to Medical Center and Silver Spring to Glenmont, 15-minute service in core from Medical Center to Silver Spring	(\$3.3)
SUBTOTAL	(\$71.4)
Close 22 Stations System-Wide, each station saves \$889K annually	(\$10.0)
Total Expense Savings	(\$81.4)
Revenue Impact	(\$12.0)
Net Savings	(\$69.4)

FY2022 Metrobus Route Consolidation Criteria

Metro can afford 50% of pre-pandemic bus service in FY22 second half, based on the following criteria

Ridership Demand

Provide service where riders are **today** (not pre-pandemic and not where demand may build in the future)

Equity/Essential Travel

As current ridership skews to low-income customers who rely on Metro for essential travel for groceries, medical appointments and daily necessities, the routes also support access to jobs in health care at hospitals and in other sectors

Redundancy

Consolidate multiple bus routes on the same corridor, and where most efficient, take advantage of transfer opportunities

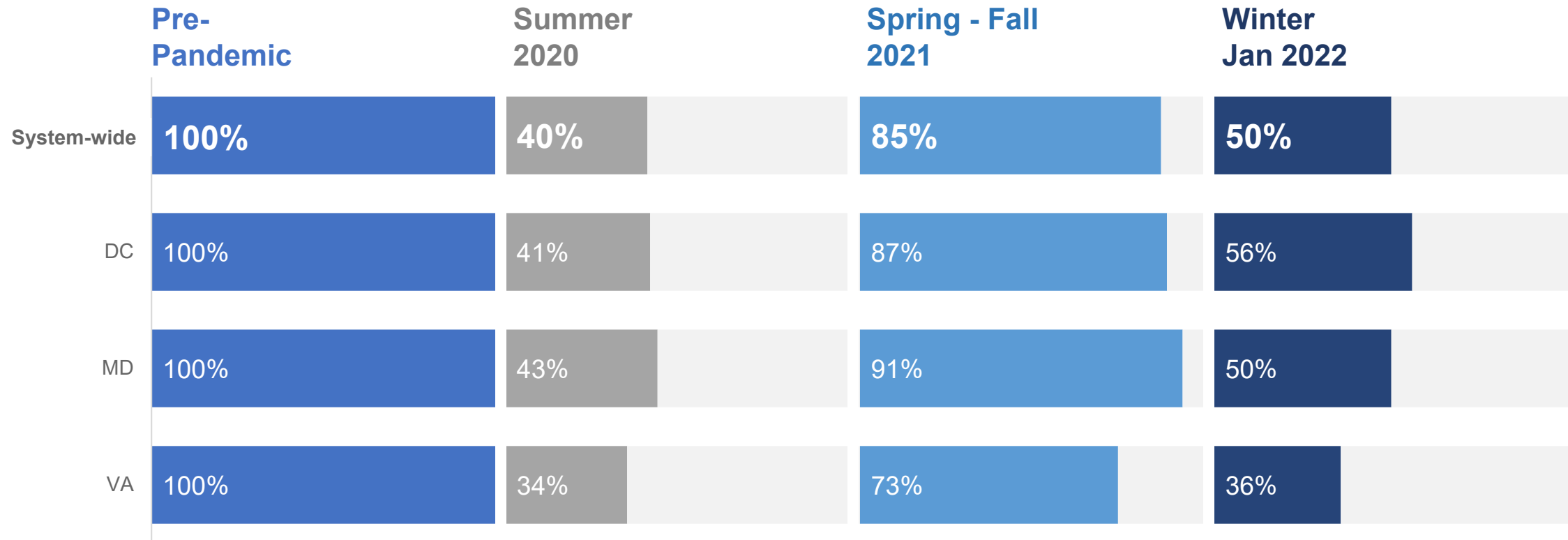
Metrobus Consolidation Plan Lines by Jurisdiction

	Authority Wide	District of Columbia	Maryland	Virginia
Pre-Pandemic	156	67	51	38
First Half of FY2022 Same as Spring FY2021	119	49	45	25
Second Half of FY2022	50	25	18	7

 Lines operating on school days only

 Additional lines replaced with local routes

Metrobus Service Hours Compared to Pre-Pandemic Levels



Silver Line Phase 2

Silver Line Phase 2 Revenue Service Costs

(\$in millions)	FY2022 Budget (July Service)	Retention Requirements	1-Month Delay Savings
Revenue	\$6.8	-	(\$0.6)
Personnel	\$77.9	\$14.8	\$5.3
Non-Personnel	\$42.2	\$13.7	\$2.4
Total Expense	\$120.1	\$28.5	\$7.6
Required Subsidy	\$113.3	\$28.5	\$7.1

Preliminary Subsidy Allocation by Jurisdiction

	FY2021 Base	FY2022 Capped	Change %	Legislative Exclusions	Change %	SLV2	FY2022 Total Subsidy	Total Change %	Debt Service	Jurisdictional Operating Subsidy
District of Columbia	\$399,159,420	\$399,159,420	0.0%	\$1,934,640	0.5%	\$12,047,607	\$413,141,667	3.5%	\$33,273,091	\$446,414,758
Montgomery County	\$183,607,050	\$181,250,255	(1.3%)	\$801,217	0.4%	\$6,397,139	\$188,448,611	2.6%	\$15,409,645	\$203,858,257
Prince George's County	\$240,588,518	\$242,945,313	1.0%	\$834,328	0.3%	\$5,742,004	\$249,521,645	3.7%	\$15,809,086	\$265,330,730
Maryland Subtotal	\$424,195,568	\$424,195,568	0.0%	\$1,635,544	0.4%	\$12,139,143	\$437,970,256	3.2%	\$31,218,731	\$469,188,987
City of Alexandria	\$46,090,591	\$43,745,160	(5.1%)	\$231,807	0.5%	\$1,701,704	\$45,678,670	(0.9%)	\$1,775,511	\$47,454,181
Arlington County	\$77,313,237	\$74,115,762	(4.1%)	\$408,255	0.5%	\$3,406,748	\$77,930,765	0.8%	\$0	\$77,930,765
City of Fairfax	\$2,676,330	\$2,678,911	0.1%	\$11,074	0.4%	\$110,908	\$2,800,893	4.7%	\$111,494	\$2,912,386
Fairfax County	\$153,872,850	\$150,985,479	(1.9%)	\$702,698	0.5%	\$5,924,354	\$157,612,531	2.4%	\$5,615,212	\$163,227,743
City of Falls Church	\$3,137,603	\$2,820,139	(10.1%)	\$16,395	0.5%	\$91,580	\$2,928,114	(6.7%)	\$176,211	\$3,104,325
Loudoun County	\$5,138,519	\$13,883,679	170.2%	\$59,586	1.2%	\$1,077,958	\$15,021,223	192.3%	\$0	\$15,021,223
Virginia Subtotal	\$288,229,129	\$288,229,129	0.0%	\$1,429,816	0.5%	\$12,313,250	\$301,972,195	4.8%	\$7,678,428	\$309,650,623
Total Contribution	\$1,111,584,118	\$1,111,584,118	0.0%	\$5,000,000	0.4%	\$36,500,000	\$1,153,084,118	3.7%	\$72,170,250	\$1,225,254,386

Notes:

1. FY2022 Metrobus Subsidy allocation based on August 2020 Schedule
2. FY2022 legislative Exclusions include \$3M for Cinder Bed and \$2M for additional WMSC safety mandates
3. FY2022 assumes no Commuter Choice Funded routes
4. FY2022 debt Service based on debt schedule used in FY2021 Subsidy Model. Schedule included FY2020 - FY2043
5. FY2021 approved Platform rate used in FY2022 calculation; pending finalization of FY2022 Budget and Platform rate

Enhanced public outreach

At Board's request, public participation plan supplemented with:

- Tool kits for jurisdictions to inform constituents
- Information sessions for BIDs, ANCs, other business and community groups
- New virtual hearing platform to ease participation and comment submission
- Expanded zip code mailings to improve low-income and minority participation
- Transit app vendor outreach to increase participation of Spanish-speaking riders
- Improve hearing awareness with wmata.com homepage banner
- Focus on lapsed riders through survey feedback

Key Dates and Milestones

