



Finance Committee

Information Item III-A

February 23, 2017

FY2017 Second Quarter Financial Update

Washington Metropolitan Area Transit Authority

Board Action/Information Summary

☐ Action ☒ Information

MEAD Number:
201845

Resolution:
☐ Yes ☒ No

TITLE:

FY2017 Second Quarter Financial Update

PRESENTATION SUMMARY:

Staff will present a summary of FY2017 operating results through the second quarter, including ridership, revenue, and expenses, as well as an update on capital investment over the same period.

PURPOSE:

To inform the Finance Committee on Metro's ridership, revenue, and operating expenses through the second quarter of FY2017, as well as provide a progress report on capital investment over the same period.

DESCRIPTION:

Key Highlights:

- Total capital investment through the second quarter of FY2017 is the highest ever at \$599 million. This includes \$235 million in Railcars as a result of accelerated delivery rates on the new 7000 series cars and \$86 million in Track & Structures Rehabilitation due to SafeTrack. Metro is on pace to exceed the amended budget of \$1.1 billion by year end.
- Through the first half of the year, total operating subsidy has a negative variance of \$6 million or one percent relative to budget. Aggressive management actions, along with lower energy costs, have resulted in expense savings of \$59 million to budget. These savings have largely offset the decline in operating revenue, which through the second quarter is approximately \$65 million below budget as a result of sharply lower ridership on Metrorail and Metrobus, which is in part due to SafeTrack service interruptions.

Background and History:

The FY2017 operating budget of \$1,745 million was approved by the Board in March 2016. The operating budget provides for the personnel, materials and supplies, fuel and propulsion power, services contracts, and other expenses necessary for day-to-day operation of Metrobus, Metrorail, and MetroAccess. The original FY2017 capital budget of \$950 million was approved by the Board in April 2016. The capital budget provides the investment necessary for the repair, rehabilitation, and replacement of Metro's capital assets, including vehicles, stations, track and structures, power, yards and

garages, business support, and other program areas.

In November 2017, the Board approved a series of amendments to the FY2017 capital budget that raised the total authorized investment from \$950 million to \$1.1 billion. These amendments authorized \$90 million of additional investment in railcars due to accelerated deliveries of new 7000 series railcars (above the rate originally assumed in the budget) and an additional \$60 million in fixed rail as a result of the SafeTrack initiative.

Discussion:

CAPITAL PROGRAM

Metro delivered \$599.4 million of CIP investment through the second quarter of FY2017, or 54 percent of the total amended CIP budget of \$1.1 billion. This is an increase over FY2016 when 34 percent of the annual CIP budget was expended through the same period. Capital program performance compared to the amended plan through the second quarter of FY2017 is summarized by Investment Category and Program in the analysis below.

Railcar Investments

Through the second quarter of FY2017, WMATA invested \$235.3 million in the Railcar Investments category, which includes the Railcar Acquisition, Railcar Maintenance & Overhaul, and Railcar Maintenance Facilities programs.

Railcar Acquisition

Metro expended \$167.2 million through the second quarter on Railcar Acquisition. Sixty new 7000 series railcars were conditionally accepted during the second quarter, and year-to-date 112 railcars have been conditionally accepted. As the new railcars arrive and are put into revenue service, Metro is also disposing of the 1000 series cars. During the second quarter, an additional 48 railcars were disposed of, leaving 144 of the 1000 series cars remaining on Metro property. Starting in the third quarter of FY2017, Metro will also begin disposing of 4000 series cars.

Railcar Maintenance & Overhaul

Through the first half of FY2017, Metro invested \$53.4 million in Railcar Maintenance and Overhaul to maintain the reliability and safe operating condition of railcars and achieve their maximum useful life. In addition to preventive maintenance, WMATA has an on-going program to overhaul railcar components, including wheels, brake systems, traction motors, hydraulic power systems, and other heavy components. In the first half of FY2017, door overhauls have been completed on 94 railcars, and HVAC upgrade kits have been installed on eight married pairs of railcars.

Railcar Maintenance Facilities

Through two quarters, Metro has invested \$14.7 million in improvements to Railcar Maintenance Facilities. Construction on the Alexandria Track and Structures maintenance building is 60 percent complete, and the service and inspection shop is 50 percent complete. Construction on the exterior yard at Alexandria is 95 percent complete. Construction on the Brentwood service and inspection shop is 15 percent complete while the yard exterior is 30 percent complete. Rehabilitation of the New Carrollton Rail Yard operation building and the car maintenance building is now closed

out.

Rail Systems Investments

Metro invested \$26.5 million in Rail Systems through the second quarter of FY2017 in the Propulsion and Signals & Communications programs.

Propulsion

Through December, Metro has invested \$11.3 million in the Propulsion program. In this program, Metro replaces traction power-related components that are beyond or nearing the end of their useful life. After completing 100 percent of underground orange boot repairs through the system, power crews have now repaired 95 percent of those aboveground, which should be completed by the end of FY2017.

Signals & Communications

WMATA invested \$15.2 million through the second quarter in this program, including implementing National Transportation Safety Board (NTSB)-recommended safety improvements, improvements to the Automatic Train Control (ATC) system, and replacing the Radio Communications System with a new Federal Communications Commission (FCC) mandated 700 MHz band system. The replacement of aging Generation 2 GRS track circuits was completed in the second quarter, successfully addressing a key NTSB recommendation and FTA SMI. Metro also met significant milestones in the replacement of the radio communications system, as the segment between Potomac Avenue and Stadium Armory went live on schedule.

Track & Structures Rehabilitation

Metro accelerated the SafeTrack initiative in the second quarter as work continued to reduce the backlog of deferred maintenance and bring critical segments of the system to a state of good repair. Due to the scope of this work, SafeTrack investments will account for the bulk of expenditures in this category for FY2017 under the Fixed Rail program.

Fixed Rail

Metro expended \$84.1 million in the rehabilitation, repair or replacement of track components through the second quarter, including the completion of SafeTrack Surges 9, 10 and 11. Details of the work performed in each SafeTrack surge are available separately.

Structures

WMATA invested \$2.6 million in the Structures program through the second quarter. The majority of these funds have gone toward the restoration of the structural integrity of tunnel liners, leak prevention, drainage repairs and maintenance, eliminating stray currents and reducing corrosion of wayside equipment and track components.

Stations & Passenger Facilities

Metro invested \$78.4 million in the Stations & Passenger Facilities category through December. This category consists of five program areas.

Platforms & Structures

In the Platforms & Structures category, \$47.0 million was invested through the second quarter. The largest share – \$39.7 million – was invested in stage one of the Orange/Blue Line Rehabilitation. In the first six months of FY2017, seven Monitor

Control Systems (MCC) have been completed, along with three traction power substations, one under-platform duct, and the installation of 12 exhaust fans. Additionally, work at three locations has been completed to address issues with ceiling tiles, as well as four emergency trip station locations and two kiosks. Metro also invested \$5.1 million in station rehabilitation in the second quarter.

Vertical Transportation

WMATA continues to invest in replacing the system's aging escalator and elevator infrastructure and in components required for their safe and reliable operation. Metro expended \$22.5 million in improvements and renovations to vertical transportation in the first six months of the fiscal year, including six elevator rehabilitations and fifteen escalator replacements.

Fare Collection

Through the first two quarters of FY2017 Metro expended \$2.3 million in the Fare Collection program, continuing its focus on investments that ensure gates and fare vendor machines work reliably for customers, as well as laying the groundwork for modernization and adoption of increasingly mobile solutions. Metro has developed a state of good repair strategy and provided it to the vendor, which will review the plan and provide an estimate for non-recurring engineering services in the third quarter.

Station Systems

In the first two quarters of FY2017, Metro expended \$4.6 million in the Station Systems program. \$1.9 million was invested in upgrades to fire alarm systems in auxiliary facilities, and IPRG 75 designs will be resubmitted for 54 locations in the third quarter. Another \$0.9 million was invested in station cooling systems through the second quarter, funding the rehabilitation or replacement of chiller plants, cooling towers, ventilation systems, air handling units and ductwork.

Parking Facilities

Through the second quarter \$2.0 million was expended on parking facilities. Work continued on the rehabilitation of parking garages at Franconia-Springfield and Shady Grove, and design work for the rehabilitation of West Falls Church, Largo Town Center, White Flint, and New Carrollton Parking Garages was also on-going. In the third quarter, contract work will begin on the Shady Grove North and New Carrollton garages.

Bus & Paratransit Vehicles

Bus Acquisition

Metro expended \$52.8 million in this program through the first six months of the fiscal year. Second quarter highlights include New Flyer 40' CNG buses (25 delivered and 37 placed in revenue service) and New Flyer 40' Hybrid electric buses (1 delivered and 13 placed in revenue service).

Bus Maintenance & Overhaul

Metro's bus maintenance and overhaul investments are focused on maintaining reliability and the safe operating condition of the equipment and to achieve the maximum useful life of the asset. Metro invested \$51.2 million in the Bus Maintenance & Overhaul program through the second quarter, \$18.0 million of which was invested in the comprehensive mechanical, electrical, and structural rehabilitation that takes place at 7.5 years of life for each bus. Metro completed the rehabilitation of 25 buses in the second quarter, and plans to rehabilitate 50 additional buses in the second half of

FY2017.

Bus Maintenance Facilities

During the first two quarters of FY2017, \$40.8 million was invested in Bus Maintenance Facilities. This includes \$13.0 million expended on construction of the new Andrews Federal Center Bus Facility (to replace the Southern Avenue facility), as well as \$19.3 million on construction of the new Cinder Bed Road facility (to replace the Royal Street Bus Garage).

Bus Passenger Facilities & Systems

Through the second quarter of FY2017, Metro invested \$1.8 million in the Bus Passenger & Facilities program. Second quarter highlights include submission of all final documents to MWCOC for closeout of regional TIGER grant projects; installation of 59 Real Time Passenger Information (RTPI) displays at bus stops; and ADA accessibility improvements using New Freedom funding.

Paratransit

Through the second quarter, Metro expended \$0.4 million on the Paratransit program. WMATA anticipates delivery of 207 vehicles in FY2017.

Business Support

Metro invested \$25.5 million through the second quarter of FY2017 in the Business Support Investment program.

Information Technology

Metro continues to make significant capital investments in information technology to improve the effectiveness of internal management processes and to facilitate better customer and employee feedback. Through the second quarter, Metro has expended \$17.1 million in the Information Technology program, including configuration and deployment efforts for the new standardized time management solution.

Metro Transit Police Department

A total of \$3.2 million has been invested in the Metro Transit Police Department (MTPD) capital program in the first two quarters. In the second quarter, the bulk of this investment went toward the replacement of support equipment, and third quarter expenditures will be focused on the procurement of non-lethal weapons.

Support Equipment & Services

Metro expended \$5.2 million in this program through the second quarter of FY2017. Design began for the first two transformer tanks in the second quarter, and interim cooling tower fluid leak remediation is in place at New Hampshire Avenue.

OPERATING BUDGET

Ridership and Revenue

Total transit ridership on all modes through the second quarter was 149 million trips, a decrease of 16 million trips or nine percent compared to the prior year. Ridership in FY2017 was originally forecasted to increase slightly, so actual trips through the second quarter finished below budgeted trips more sharply, by 21 million or 12 percent. The significant ridership declines of FY2016 began in August 2015, remained relatively stable through March 2016, and then worsened in the fourth quarter of FY2016.

Consequently, on a year-over-year basis, July 2016 ridership was down sharply (rail by 21 percent and bus by 12 percent), followed by more moderate declines in August and September, and then sharper declines again in October and December (12 percent on rail, 7 to 9 percent on bus).

Metrorail

Total rail ridership through the second quarter of FY2017 was 86.1 million trips, a decline of 12 percent or 11.7 million trips compared to the same period last year. Ridership was down broadly across all time periods, days of the week, and individual stations. Consequently, rail revenue was down 14 percent versus prior year and was 17 percent under budget through the second quarter. Parking revenue remained 11 percent below prior year and was below budget by 13 percent. Since the SafeTrack “surges” continue to be significant drivers of revenue and ridership declines this fiscal year, below is a discussion of the surges occurring in the second quarter:

- *Surge 9 (Vienna to West Falls Church)*: This surge lasted over a month and split the Orange Line into two separate segments connecting at West Falls Church, with the segment between West Falls Church and Vienna operated as a shuttle on one track at low frequencies. As a result, morning rush-hour ridership at Vienna and Dunn Loring was down 75 percent and 45 percent, respectively. In total, there were approximately 9,000 lost trips per weekday due to Surge 9.
- *Surge 10 (Fort Totten to NoMa)*: For just over three weeks, the Red Line from Fort Totten to NoMa was closed (including Rhode Island Avenue and Brookland stations), which split the Red Line into two segments. As a complete shutdown, Surge 10 was one of the more significant SafeTrack service disruptions due to the normally high volume of passengers on the Red Line. In the most heavily impacted area, morning ridership north of Fort Totten was down about 30 percent. Overall morning losses at the impacted stations on the east side of the Red Line (NoMa to Glenmont) totaled approximately 9,200 riders, and all-day losses were estimated to be 17,600 entries from these stations.
- *Surge 11 (East Falls Church to West Falls Church)*: For 25 days between Thanksgiving and Christmas, Surge 11 reduced train frequencies on the Orange, Blue, and Silver Lines due to single-tracking.

Metrobus

Total bus ridership through the second quarter of FY2017 was 62 million trips, a decline of 4.0 million trips or six percent compared to the same quarter last year. Consequently, bus revenue was down 11 percent versus prior year and was 14 percent below budget for the quarter. Ridership at other local bus operators in the region has also declined during this period, indicating broader economy-wide causes that are not unique to Metro. Specific performance highlights from each month and are provided below.

Average bus weekday ridership was down four percent in October, with Saturdays down more and Sundays down less. Ridership declined roughly equally across all three jurisdictions. Metroway in Virginia continued to add riders, posting 44 percent growth in October, and the NH1/NH2 routes to National Harbor also continued to post substantial gains. Sunday ridership was strong, sometimes surpassing that of Metrorail. Despite some positive developments, however, bus ridership was down across nearly all routes and geographic sectors on weekdays in October.

Ridership in November was down one percent with relative stability in DC (including a seven percent increase in ridership in Southeastern DC) but losses in Maryland and Virginia. In Virginia, ridership was boosted on a few routes that served as alternatives to SafeTrack interruptions. However, losses elsewhere meant that the jurisdiction as a whole was down six percent in November.

In December, for the first time since December 2010, average weekday ridership fell below 370,000, and showed the largest percentage point declines this fiscal year in average weekday, Saturday and Sunday trips. Recorded fare evasion trended upwards in the last half of the month with a distinct spike on Christmas Day.

MetroAccess

Total ridership on MetroAccess through the second quarter was 1.2 million trips, reflecting growth of four percent over FY2016, but was below projected ridership by three percent. MetroAccess revenue was up nine percent compared to prior year (twelve percent in the second quarter alone) and was at budget through the quarter.

Operating Expenses

Through December, year-to-date FY2017 operating expenses are favorable to budget by \$58.8 million, or 7.0 percent, primarily as a result of reduced personnel expenses. Total expenses are 3.5 percent less than the same period in FY2016.

Personnel Expenses

FY2017 personnel expenses (including salaries/wages, overtime, and fringe benefits) of \$611.1 million through December were favorable to budget by \$47.1 million or 7 percent. This favorability is primarily attributable to position reductions (described below) and a 4.8 percent vacancy rate. In addition, labor expenses totaling \$65.8 million for eligible preventive maintenance (PM) activities on railcars and buses have also been transferred to the capital budget as planned. These PM transfers are currently ahead of budget which creates a year-to-date positive variance of \$18.1 million. However, total transfers will not exceed the budgeted \$95 million, and the variance will be eliminated by fiscal year end.

Salaries and Wages

Salary and wage expenses of \$376.7 million through the second quarter were below budget by \$31.8 million or 7.8 percent. This variance is mainly driven by lower staffing levels in the RAIL and BUS departments.

Positions and Staffing

Through two separate directives issued in FY2017, the GM/CEO has mandated the elimination of a total of 700 non-safety critical positions in order to reduce expenses. To date, Metro has eliminated 525 filled and vacant positions identified as no longer critical to Metro's core business requirements. Of those positions, 447 were vacant and 78 were filled. An additional 121 filled positions have been identified for elimination, with a further 54 pending. As of January 13, 2017, Metro's vacancy rate is 4.8 percent.

Overtime

Overtime expenses of \$44.9 million through December were over budget by \$2.8 million or 7 percent. This unfavorable variance was primarily due to additional staff support in Track and Structures for track repair work and inspections, as well as work by Traction Power staff to install heat tape on third rail and repair lighting at emergency trip stations.

Metro is taking advantage of periods of SafeTrack-required single tracking and shutdowns to complete other regular maintenance.

Fringe Benefits

Fringe benefit expenses were \$18.1 million below budget through the end of the second quarter. Taken together, FICA, pension and healthcare were favorable by a combined \$7.4 million due to the favorability in labor and the associated position reductions that have taken place. Workers compensation (WC) was also favorable by \$9.7 million. The WC reserve account, which was budgeted at \$12.2 million through the second quarter, has had no contributions to date due to being above the board mandated 20 percent reserve floor. Overall WC favorability is expected to be reduced starting in February 2017 as reserve funding contributions resume.

Non-Personnel

Non-personnel expenses of \$207.5 million through December were below budget by \$11.7 million or 5 percent. Savings in services and fuel were partially offset by increased expenses in materials and supplies.

Services

Services were \$5.4 million below budget through the second quarter, primarily due to the timing of contracts that will not generate significant expense until later in the fiscal year. Favorability associated with the delayed contracts is partially offset by MetroAccess service expenses, which were unfavorable to budget by \$1.3 million. This variance is due to slightly higher contract rates for one of the service providers than were assumed in the budget, as well as late-trip credits to passengers. Additional unfavorability is expected for MetroAccess service as a result of the delay in the award for the Abilities Ride program. Metro Access ridership continues to trend above FY2016 levels.

Materials & Supplies

Materials & Supplies expenses exceeded budget by \$20.5 million primarily due to parts purchases to support continued railcar rehabilitation. Certain railcar parts procurements have not complied with FTA requirements, thus requiring that these parts be purchased either with local capital funds or through the operating budget. In addition, bus maintenance supplies exceeded budget as a result of higher than projected costs for vehicle parts and materials.

Energy (Fuel, Propulsion, Electricity & Utilities)

Energy costs through December were lower than budget by \$10.9 million or 17 percent, mainly due to favorable rate and volume mix utilization. Fuel expenses were \$6.4 million, or 35 percent, below budget, with an average year-to-date diesel fuel rate of \$1.38 per gallon compared to a budgeted rate of \$2.17 per gallon. Gasoline rates were similarly favorable at \$1.44 per gallon compared to a budget of \$2.78. Propulsion expenses were \$2.1 million or eight percent below budget, primarily due to lower volume (8.9 percent below forecast) due to SafeTrack and lower-than-scheduled railcar miles. Electricity & Utilities expenses were \$2.4 million or 12 percent below budget due to lower consumption, with electricity utilization by facilities at 5.8 percent below budgeted volume.

Capital Overhead Allocation

Beginning in FY2017, and with approval from the Federal Transit Administration (FTA),

Metro has changed how indirect costs are applied to capital projects and credited to the Operating Budget. This change meets FTA requirements for reimbursement of indirect costs. In FY2017 the total capital overhead allocation is shown as a credit on a separate line on the financial report, labelled "Capital Indirect Allocation." Through the second quarter, the capital indirect allocation credit totaled \$27.6 million due to increased capital expenses in support of SafeTrack. This results in a net favorability of \$6.1 million to the operating budget.

FUNDING IMPACT:

Information item only - no impact on funding.	
Project Manager:	Thomas J. Webster
Project Department/Office:	CFO/OMBS

TIMELINE:

Previous Actions	November 2016 - FY2017 First Quarter Update and CIP Amendments
Anticipated actions after presentation	March 2017 - Approval of FY2018 Operating Budget March 2017 - Approval of FY2018-2023 CIP and Capital Funding Agreement March 2017 - Authorization for Debt Issuance March/April 2017 - Amendment to FY2017 Capital Budget April 2017 - Review TPB's Role in WMATA's Financial Needs May 2017 - FY2017 Third Quarter Update

RECOMMENDATION:

No action required -- information item only.



Washington Metropolitan Area Transit Authority

FY2017 Second Quarter Financial Update

Finance Committee
February 23, 2017



FY2017 Capital Program Delivery

- Original \$950 million realistic budget with possible return if successfully increased investment
- Highest investment ever through December at \$599 million, on pace to exceed amended budget of \$1.1 billion, may reach \$1.2 billion
- Key drivers: accelerated 7000 series railcar delivery; station and track work (including SafeTrack); bus facilities and new buses





FY2017 Mid-year Summary

Investment Category	YTD Plan	YTD Actual	Variance
Railcars	\$219.9	\$235.3	\$15.4
Rail Systems	48.8	26.5	(22.3)
Track & Structures Rehabilitation	82.1	86.8	4.7
Stations & Passenger Facilities	57.1	78.4	21.3
Bus & Paratransit Vehicles	108.4	146.9	38.5
Business Support	25.7	25.5	(0.2)
TOTAL	\$542.0	\$599.4	\$57.4



Railcars

Investment by Program	Jul-Dec Actual	Jan-Jun Forecast	FY2017 Forecast	FY2017 Budget	Variance
Acquisition	\$167.2	\$158.1	\$325.3	\$293.8	\$31.5
Maintenance/ Overhaul	53.4	48.4	101.9	110.5	(8.6)
Maintenance Facilities	14.7	21.6	36.3	40.2	(4.0)
Total	\$235.3	\$228.1	\$463.4	\$444.5	\$18.9

FY2017 YTD Activities

- 112 new 7000 series railcars accepted
- 946 railcar door overhauls completed
- Construction progressing at Brentwood and Alexandria Yards, into closeout on New Carrollton Yard





Rail Systems

Investment by Program	Jul-Dec Actual	Jan-Jun Forecast	FY2017 Forecast	FY2017 Budget	Variance
Propulsion	\$11.3	\$20.0	\$31.3	\$32.8	(\$1.5)
Signals & Communications	15.2	33.9	49.1	58.5	(9.4)
Total	\$26.5	\$53.9	\$80.4	\$91.3	(\$10.9)

FY2017 YTD Activities

- Traction power upgrades: orange boot repairs complete underground and 95 percent complete above ground
- Replacement of aging Generation 2 GRS track circuits completed
- Cell service segment between Potomac Avenue and Stadium-Armory completed
- Radio/power/ATC below forecast, expect improved delivery in second half





Track & Structures Rehabilitation

Investment by Program	Jul-Dec Actual	Jan-Jun Forecast	FY2017 Forecast	FY2017 Budget	Variance
Fixed Rail	\$84.1	\$56.1	\$140.2	\$133.0	\$7.2
Structures	2.6	5.2	7.8	8.7	(0.9)
Track Maintenance Equip.	0.1	0.2	0.3	-	0.3
Total	\$86.8	\$61.5	\$148.3	\$141.6	\$6.7

FY2017 YTD Activities

Through SafeTrack Surge 11:

- Installed over 28,000 new crossties
- Completed six turnouts
- Replaced 6.6 miles of running rail
- Tamped 23.5 miles of ballasted track
- Renewed 8,779 insulators





Stations & Passenger Facilities

Investment by Program	Jul-Dec Actual	Jan-Jun Forecast	FY2017 Forecast	FY2017 Budget	Variance
Platforms & Structures	\$47.0	\$32.4	\$79.5	\$65.8	\$13.7
Vertical Transp.	22.5	22.9	45.4	47.0	(1.6)
Fare Collection	2.3	4.2	6.5	7.7	(1.2)
Station Systems	4.6	13.6	18.2	22.0	(3.8)
Parking Facilities	2.0	1.1	3.1	3.4	(0.3)
Total	\$78.4	\$74.3	\$152.7	\$145.9	\$6.8

FY2017 YTD Activities

- O/B Rehab: completed 7 Monitor Control Systems, 3 traction power substations, 12 exhaust fans
- 6 elevators rehabilitated, 15 escalators replaced
- Rhode Island Ave urgent repairs completed
- Concrete rehabilitation work at Vienna Parking Garage complete





Bus & Paratransit Vehicles

Investment by Program	Jul-Dec Actual	Jan-Jun Forecast	FY2017 Forecast	FY2017 Budget	Variance
Bus Acquisition	\$52.8	\$8.2	\$61.0	\$61.1	(\$0.2)
Bus Maintenance/Overhaul	51.2	33.9	85.1	85.4	(0.3)
Bus Maintenance Facilities	40.8	30.4	71.2	60.8	10.4
Bus Passenger Facilities	1.8	4.9	6.7	6.2	0.5
Paratransit	0.4	13.8	14.2	8.8	5.4
Total	\$146.9	\$91.2	\$238.1	\$222.4	\$15.7

FY2017 YTD Activities

- Delivered 100 buses: 65 CNG and 35 Hybrid
- Began installation of CCTV cameras in Dec 2016
- Cinder Bed Road Garage to be completed summer 2017





Business Support

Investment by Program	Jul-Dec Actual	Jan-Jun Forecast	FY2017 Forecast	FY2017 Budget	Variance
IT	\$17.1	\$22.7	\$39.8	\$40.8	(\$1.0)
MTPD	3.2	0.5	3.6	4.6	(0.9)
Support Equip./Services	5.2	7.1	12.4	9.8	2.5
Total	\$25.5	\$30.3	\$55.8	\$55.2	\$0.6

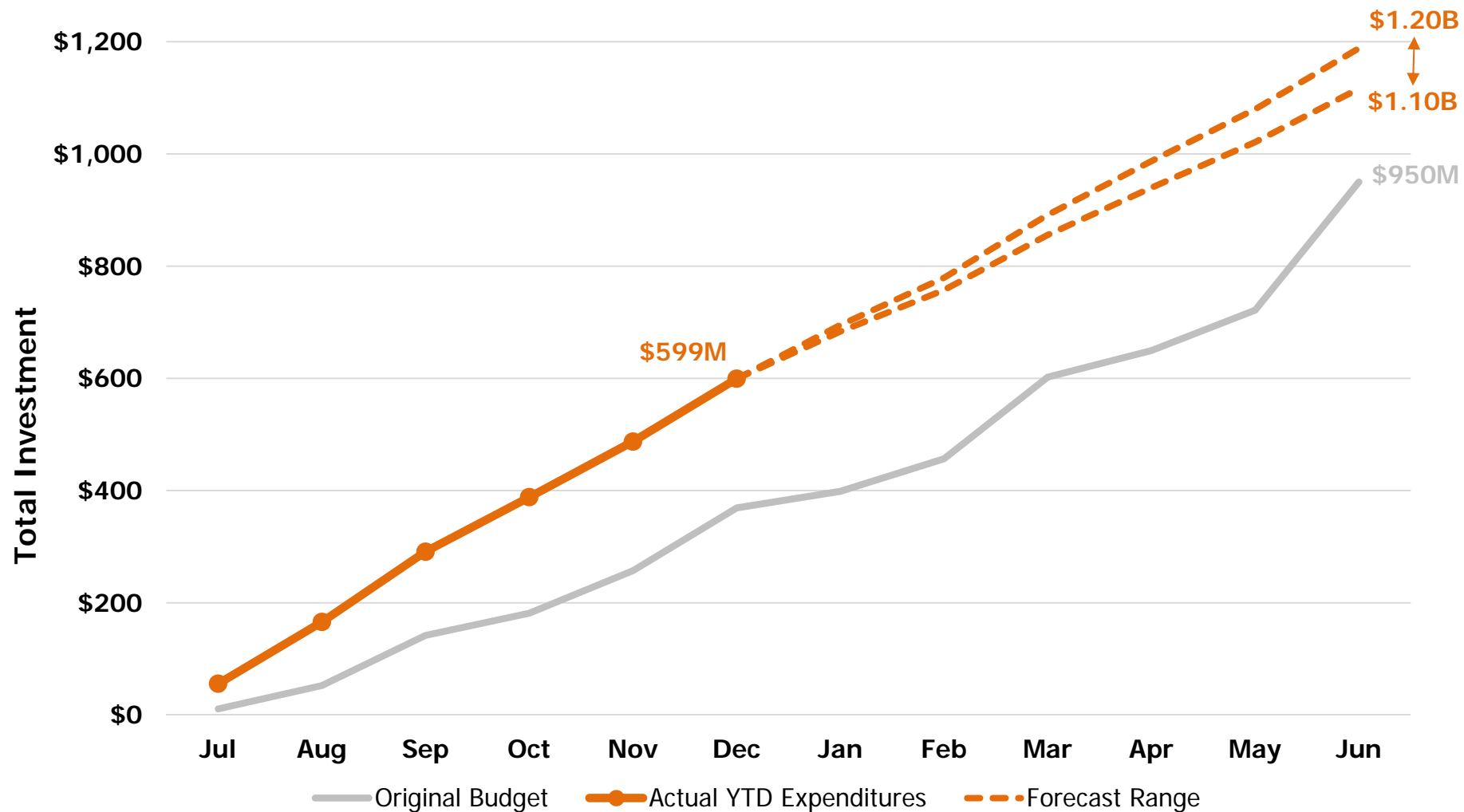
FY2017 YTD Activities

- Time-keeping system training strategy complete, system testing is underway
- Asset Management Database prepared for 7000 Series parts induction





FY2017 CIP Year-End Forecast





More Capital Budget Authority Will Be Required

- Capital program improvements are generating better results
- Expect to return in March/April for additional FY2017 spending authority of \$25 to \$100 million






FY2017 Mid-Year Operating Update

- Passenger revenue below last year by \$53 million (below budget by \$64 million) due to:
 - ✓ SafeTrack
 - ✓ Reliability challenges
 - ✓ Market factors (competition, gas prices, telework, etc.)
- Management has controlled costs through aggressive actions – below budget by \$59 million



Mid-Year FY2017 Net Operating Position

<i>(millions)</i>	FY2017-Q2		Variance		
	Budget	Actual	\$	Percent	Direction
Revenue	\$ 447	\$ 383	\$(65)	-14%	
Expense	\$ 877	\$ 819	\$(59)	-7%	
Net Subsidy	\$ 430	\$ 436	\$ 6	1%	
Cost Recovery	51%	47%			



Operating Budget Forecast

(\$ in millions)	Jul-Dec Actual	Jan-Jun Forecast	Forecast 2017	Budget 2017	FY17 Forecast v. Budget	
					\$	%
REVENUES	\$400	\$409	\$809	\$934	(\$125)	-13%
EXPENSES						
Total Personnel	\$614	\$637	\$1,251	\$1,315	\$64	5%
<i>Non-Personnel</i>						
Services	\$120	\$135	\$254	\$245	(\$10)	-4%
Materials & Supplies	\$61	\$70	\$130	\$85	(\$45)	-53%
Fuel (Gas/Diesel/CNG)	\$13	\$15	\$28	\$39	\$10	27%
Utilities & Propulsion	\$41	\$41	\$82	\$91	\$8	9%
Insurance/Other	\$15	\$22	\$37	\$48	\$11	23%
Capital Allocation	(\$28)	(\$26)	(\$54)	(\$43)	\$11	26%
Total Non-Personnel	\$222	\$257	\$479	\$464	(\$14)	-3%
TOTAL EXPENSES	\$836	\$893	\$1,729	\$1,780	\$50	3%
NET SUBSIDY	\$436	\$484	\$921	\$845	(\$75)	-9%

Note: Figures include offsetting revenues and expenses for FY2017 reimbursable projects – no net impact on subsidy.



Additional Management Actions

- Already underway:
 - ✓ Healthcare cuts
 - ✓ Headcount reduction
 - ✓ Property sales
- New actions (estimate \$50 million total):
 - ✓ Non-revenue vehicles
 - ✓ Call center
 - ✓ Hiring and spending freeze (all non-safety)
 - ✓ Absenteeism and workers' comp
 - ✓ Use of prior year surplus
 - ✓ Furloughs
- May not be enough – will come back to Board



Next Steps

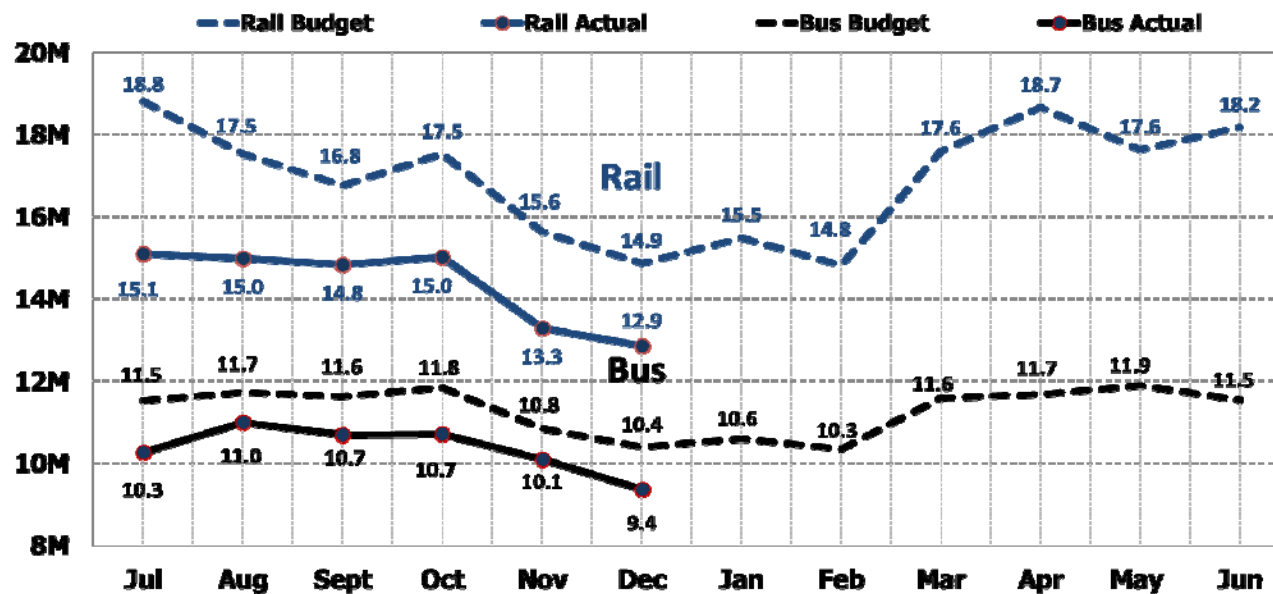
- **March:** Approval of FY2018 Operating Budget, Public Outreach Report, and Equity Analysis
- **March:** Approval of FY2018-2023 CIP and Capital Funding Agreement
- **March:** Authorization for Debt Issuance
- **March/April:** Amendment to FY2017 Capital Budget
- **April:** Review TPB's Role in WMATA's Financial Needs
- **May:** FY2017 Third Quarter Financial Report



Appendix: Ridership

RIDERSHIP (trips in Thousands)





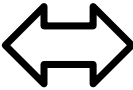



YTD	FY2016	FY2017		Variance FY17	
	Actual	Actual	Budget	Prior Year	Budget
Metrorail	97,729	86,075	101,125	-12%	-15%
Metrobus	66,088	62,112	67,959	-6%	-9%
MetroAccess	1,146	1,192	1,219	4%	-2%
System Total	164,963	149,379	170,303	-9%	-12%





Appendix: Operating Revenue







FY2017 Ridership and Revenue Through Q2

Mode	Measure	Budget	Actual	Variance
Rail	Ridership	101 million	86 million	
	Revenue	\$304 million	\$253 million	
Bus	Ridership	68 million	62 million	
	Revenue	\$76 million	\$66 million	
Access	Ridership	1.2 million	1.2 million	
	Revenue	\$5.0 million	\$5.0 million	
Parking	Revenue	\$23 million	\$20 million	
Non-Passenger	Revenue	\$30 million	\$30 million	



Appendix: Operating Expense

FY2017 Operating Expenses Through Q2

Expense Category		Budget	Actual	Variance
Labor	Salaries, Wages and Fringe	\$658 million	\$611 million	
Non-Labor	Fuel, Propulsion and Utilities	\$64 million	\$53 million	
	Services	\$113 million	\$108 million	
	Materials and Supplies	\$40 million	\$60 million	
	Insurance and Other	\$15 million	\$2 million	
	Capital Indirect Allocation	(\$13 million)	(\$16 million)	
Total Operating Expenses		\$877 million	\$819 million	