



**Finance Committee**

**Action Item III-A**

**May 11, 2017**

**FY2017 Third Quarter Financial Update  
and CIP Amendment**

Washington Metropolitan Area Transit Authority  
**Board Action/Information Summary**

Action  Information

MEAD Number:  
201870

Resolution:  
 Yes  No

**TITLE:**

FY17-Q3 Financial Update and CIP Amendment

**PRESENTATION SUMMARY:**

This item will provide an update on the operating and capital budgets through the third quarter of FY2017 and request an amendment to the current FY2017-2022 CIP to accommodate continued accelerated capital program delivery in FY2017.

**PURPOSE:**

Staff seeks Board approval of an amendment to the FY2017-2022 Capital Improvement Program (CIP). The amendment will increase the approved FY2017 capital budget by \$75 million to support the SafeTrack program, the accelerated delivery of 7000 series railcars, the construction of new bus maintenance facilities, and the purchase of railcar parts.

The Board will also receive progress reports on capital investment through the third quarter of FY2017 and on ridership/revenue, expenses, and net subsidy in the operating budget through the same period.

**DESCRIPTION:**

**Key Highlights:**

- Metro finished the third quarter of FY2017 with a negative net operating position of \$11.1 million. Management cost reduction actions have offset most of the revenue losses to date, and the year-end deficit forecast has improved by \$37 million from the previous update, but aggressive efforts must continue in order to balance the budget.
- Total capital investment through the third quarter of FY2017 was \$874 million, continuing at the accelerated delivery pace of the previous two quarters. Total FY2017 capital investment is expected to finish the year at close to \$1.2 billion.
- As anticipated in November, staff is recommending a second amendment to the capital budget to provide a total of \$75 million of additional budget authority for FY2017: \$41 million for the Railcar Acquisition program (for new 7000 series railcars); \$6 million for the Railcar Maintenance/Overhaul program (for railcar parts); \$20 million for the Fixed Rail program (to support extended SafeTrack activities); and \$8 million for the Bus Maintenance Facilities program (for the construction of the new Cinder Bed Road and Andrews Federal Center facilities).
- The additional budget authority will be funded with proceeds from property sales (expected at \$20 million) and through the use of Metro's existing lines of credit (LOC), with no additional jurisdictional contribution required in FY2017.

## **Background and History:**

With the goal of setting an achievable budget, the GM/CEO directed that the FY2017 capital budget that was originally proposed in December 2015 be reduced to \$950 million when approved in April 2016. However, during consideration of the budget with the Board, it was understood that one or more midyear budget amendments could be required if investment performance was strong and total expenditures were on track to exceed \$950 million. In particular, the original \$950 million budget assumed the delivery of only 12 new 7000 series railcars per month, but the potential for delivery and acceptance of 16 or 20 railcars per month was highlighted. In addition, the SafeTrack program had not been announced and implemented at the time of the budget adoption.

In November 2016, staff returned to the Board and requested an additional \$150 million in FY2017 capital budget authority, to be funded through the short-term Line of Credit (LOC). This authorization was approved, increasing the total FY2017 capital budget to \$1.1 billion (which also includes a Department of Homeland Security grant that was received after the original budget adoption). At that time, the total year-end capital investment for FY2017 was forecast in a range from \$1.1 billion to \$1.2 billion, and staff advised that a second amendment to the FY2017 budget might be required in the spring of 2017.

## **Discussion:**

### **Operating Budget Highlights Through FY2017-Q3**

Operating revenues remain unfavorable to budget through the third quarter due to decreased ridership and fare revenue on both rail and bus. Service disruptions due to the SafeTrack program have affected rail and bus ridership in many corridors, and overall ridership continues to face service reliability challenges as well as the impact of alternative transportation options, low gasoline prices, and telecommuting. Revenues are below budget by \$87 million year to date.

Budget favorability in operating expense through the third quarter of \$76 million is primarily due to lower costs for salaries and wages. Management actions to tightly control operating expenses, including changes to reduce healthcare costs, the elimination of 700 positions, and a hiring freeze, are responsible for the majority of the savings. Expenses are also favorable to budget due to favorable fuel rates and decreased propulsion utilization as a result of SafeTrack.

### **Ridership and Revenue**

Total transit ridership on all modes through the third quarter was 223 million trips, a decrease of 17 million trips or seven percent compared to the prior year. Ridership in FY2017 was originally forecasted to increase moderately, so actual trips through the third quarter finished below budgeted trips more sharply, by 29 million or 11 percent. Due to the Presidential Inauguration and the Women's March (as well as major snow disruptions the previous year), rail and bus ridership increased 14 percent over the prior year in January. However, the declines experienced in the first half of the fiscal year returned in February and March.

#### *Metrorail*

Total rail ridership through the third quarter of FY2017 was 130 million trips, a decline of

nine percent or 12.9 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 11 percent versus prior year and was 15 percent under budget through the third quarter. Parking revenue declined nine percent from prior year and was below budget by 11 percent. Though rail ridership remains significantly below prior year, year to date ridership has improved from a 12 percent decline versus prior year through Q2 to a 9 percent decline through Q3.

- In January, rail ridership was down approximately six percent excluding Inauguration weekend. Ridership was up 14 percent overall due to the Inauguration weekend events and poor weather in January 2016.
- In February, overall rail ridership was down 11 percent. Outside of the impacts of Surge 12, rail ridership was down by 5-10 percent across nearly all stations. Off-peak ridership, particularly in the evenings, continued to show the weakest ridership. A few unusually warm weekends days led to higher ridership, though, and on average weekends were down only 1-2 percent over prior year.
- In March, overall rail ridership was down eight percent, nine percent on weekdays and 12-19 percent on the weekends. The traditional 'bump' in ridership for the Cherry Blossom Festival did not materialize this year due to weather patterns that reduced the peak bloom.

### *Metrobus*

Total bus ridership through the third quarter of FY2017 was 91 million trips, a decline of 4.1 million trips or four percent compared to the same period last year. Consequently, bus revenue was down 10 percent versus prior year and was 15 percent below budget through the second quarter. Similarly to rail, bus ridership through the third quarter improved versus its performance through the second quarter, from a 6 percent decline to a 4 percent decline year to date.

- Average weekday bus ridership was flat in January, though total ridership increased over January 2016 due to the blizzard last year which closed the system. Weekends continued the trend of ridership losses versus prior year, with declines on both Saturdays and Sundays. Ridership growth was strongest in Eastern and Southeast DC and in southern Prince George's County.
- Total ridership was down four percent in February but weekdays were down only two percent. Moderate growth in weekday ridership continued in Southeast DC and southern Prince George's County. All other geographic sectors experienced small but pervasive losses in the month.
- March brought a return of across-the-board declines in ridership, on both weekdays and weekends. Total ridership was down eight percent, weekdays and weekends were down five to six percent each. Bus ridership was slightly boosted by rail riders displaced by Surge 13, but aside from marginal growth in Anacostia, all other geographic sectors showed declines.

### *MetroAccess*

Total ridership on MetroAccess through the third quarter was 1.8 million trips, reflecting growth of four percent over FY2016, but was below projected ridership by two percent. MetroAccess revenue was up eight percent compared to prior year and was one percent below budget through the quarter.

## **Operating Expenses**

Operating expenses through the third quarter were favorable to budget by \$75.9 million or 6 percent, and \$2.8 million more than the same period in FY2016. The favorability is primarily a result of reduced personnel expenses.

### Personnel Expenses

FY2017 personnel expenses of \$925.5 million were favorable to budget by \$57.6 million or 6 percent. This variance is attributable to eliminated positions, a 4.6 percent vacancy rate among remaining positions, and preventive maintenance (PM) transfers. The PM transfers are currently ahead of the schedule assumed in the budget, providing a favorability through March of \$20.2 million.

### *Positions, Salaries and Wages, and Fringe Benefits*

As part of the aggressive management actions to reduce expense in FY2017 in order to offset reduced ridership and revenue, Metro is eliminating 700 non-safety critical positions. As of the end of the third quarter, 653 vacant and filled positions no longer critical to Metro's core business requirements have been eliminated. The balance will be completed by the end of June. Of the current 12,379 positions, Metro's vacancy rate is 4.6 percent or 565 positions.

Salary and wage expenses of \$561.6 million through the third quarter were under budget by \$49.4 million or 8.1 percent. Fringe benefit expenses were \$12.5 million below budget at the end of the third quarter.

### *Overtime*

Overtime expenses of \$64.0 million through Q3 are over budget by \$4.3 million or 7.2 percent. This unfavorable variance is primarily driven by additional labor hours to perform inspections, track repair work, and other track maintenance activities (Track and Structures); installing heat tape on the third rail, lighting repairs and emergency trip station repair projects (Traction Power); and Fire Life Safety, signal testing of the public safety radio system and comprehensive radio communications system, programming of radios and fire intrusion alarm testing (Systems Maintenance). This work was compressed to take advantage of periods of SafeTrack-required single tracking and/or station shutdowns.

### Non-Personnel Expenses

Non-personnel expenses of \$306.4 million at the end of the third quarter were below budget by \$18.3 million or 5.6 percent. Expense savings in services and fuel were partially offset by increased expenses in materials and supplies.

### *Services*

Services were \$6.5 million below budget through the third quarter, due largely to management deferrals of less critical services contracts, as well as schedule delays and lower spending than anticipated for certain service contracts, including promotional events, debit/credit card processing, SmarTrip assistance, and Automated Fare Collection. Favorability associated with the deferrals and delays is partially offset by MetroAccess service expenses, which were unfavorable to budget by \$3.9 million. This variance is due primarily to the delay in the implementation of the Abilities Ride program, as well as slightly higher contract rates for one of the service providers and late trip credits to passengers.

### *Materials & Supplies*

Materials & Supplies expenses have exceeded budget by \$26.2 million through Q3, primarily due to parts purchases in support of ongoing rehabilitation efforts. Approximately \$20 million in expenses for capital-eligible parts for the heavy overhaul of railcars and buses are currently being funded through the operating budget. To date, these parts have not been transferred to the capital budget due to an inability to fund them either with federal grants (the parts were not procured in compliance with federal regulations) or with local funds (all local funding has already been committed to other projects). However, with the Board's approval of the proposed CIP amendment, these parts will be transferred to the capital budget and funded with local capital dollars, reducing the negative variance in the operating budget.

### *Energy (Fuel, Propulsion, Electricity & Utilities)*

Fuel, Propulsion, Electricity and Utilities were lower than budget by \$20.7 million or 21.6 percent, mainly due to favorable rate and volume mix utilization. Fuel expenses were below budget by \$14.6 million or 53 percent. The average diesel fuel rate for year-to-date FY2017 was \$1.35 per gallon compared to a budgeted rate of \$2.17 per gallon, resulting in a net savings for Metrobus. Propulsion expenses were below budget by \$2.8 million or 7.4 percent. This favorable volume utilization is mainly driven by lower service levels during SafeTrack.

### *Capital Overhead Allocation*

Capital overhead allocation represents the reimbursement of indirect costs applied to capital projects, which is a credit to the operating budget. Through the third quarter, the capital indirect allocation credit totaled \$39.2 million, or \$6.9 million favorable to budget. This is due primarily to PM transfers being ahead of schedule, as well as increased capital labor expenses in support of on-going track maintenance under the SafeTrack program.

### **Capital Program Highlights Through FY2017-Q3**

Metro has delivered \$874 million of CIP investment through the third quarter of FY2017. This represents 92 percent of the original budget of \$950 million and 79 percent of the amended budget of \$1,101 million. Capital program performance through the third quarter of FY2017 is summarized by Category in the analysis below.

### Railcars

Through the third quarter, WMATA invested \$370.0 million in the Railcars category, which includes the Railcar Acquisition, Railcar Maintenance & Overhaul, and Railcar Maintenance Facilities programs. Highlights include:

- Metro expended \$260.9 million through the third quarter on Railcar Acquisition and conditionally accepted 60 new 7000 series railcars in the latest quarter (20 each month), compared to the forecast of 56. As of March 31, a total of 316 new 7000 series railcars are in service.
- Through the third quarter, a total of 198 of the 1000 series railcars and 46 of the 4000 series railcars were removed from service.
- Metro has invested \$84.6 million in Railcar Maintenance and Overhaul to maintain the reliability and safe operating condition of railcars and achieve their maximum useful life.
- Metro has invested \$24.6 million in improvements to Railcar Maintenance

Facilities. The quarter concluded with construction on the Alexandria Track and Structures maintenance building 70 percent complete and the service and inspection shop 80 percent complete.

### Rail Systems

Metro has invested \$47.7 million in Rail Systems through the third quarter of FY2017 in the Propulsion and Signals & Communications programs. Highlights include:

- Metro has invested \$18.9 million in the Propulsion program. Three traction power substations have been delivered so far this year, along with nine equipment housing locations.
- \$28.9 million invested in Signals & Communications, including implementing National Transportation Safety Board (NTSB)-recommended safety improvements, supporting the safety of and 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.

### Track & Structures

Metro invested \$117.9 million through the third quarter to bring critical segments of the system back to a state of good repair. Highlights include:

- Metro expended \$112.9 million in the rehabilitation, repair or replacement of track components through the third quarter, including the completion of SafeTrack Surge 12 and the majority of Surge 13 (which ended on April 12). The details of the Surge 12 and Surge 13 investments are available in separate reports.
- Metro invested \$4.9 million in the Structures program through the third 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 \$115.0 million in the Stations & Passenger Facilities category through March. Highlights include:

- \$64.5 million was invested in Platforms & Structures, focused on stage one of the Orange/Blue Line Rehabilitation.
- \$36.7 million in improvements and renovations to vertical transportation through the third quarter, including elevator rehabilitation, escalator replacement, and elevator/escalator repairables.
- \$8.7 million in Station Systems, including fire alarm systems in auxiliary facilities, standpipes, and Federal Resiliency Grant-funded efforts to elevate vent shafts and protect stations from flood water.
- \$2.3 million on parking facilities, including Franconia-Springfield East, Shady Grove North and New Carrollton.

### Bus & Paratransit Vehicles

- \$56.4 million year-to-date on Bus Acquisition. No new buses were delivered in the

third quarter but Metro disposed of 18 older buses during that period.

- Metro invested \$68.5 million in the Bus Maintenance & Overhaul program through the third quarter, \$28.4 million of which was invested in comprehensive mid-life mechanical, electrical, and structural rehabilitation. Metro completed the rehabilitation of 25 buses in the third quarter (75 year to date).
- \$58.2 million was invested in Bus Maintenance Facilities, including \$21.7 million on construction of the new Andrews Federal Center Bus Facility and \$30.8 million on construction of the new Cinder Bed Road facility.
- Metro invested \$2.7 million in the Bus Passenger & Facilities program, including Real Time Passenger Information (RTPI) software upgrades, electrical step-down work at bus stops at Metro Stations, and ADA accessibility improvements.
- Through the third quarter, Metro has expended \$0.7 million on the Paratransit program. New vehicle delivery will begin in the fourth quarter of FY2017.

### **Business Support**

Metro has invested \$37.2 million through the third quarter of FY2017 in the Business Support Investment program. Highlights include:

- \$4.1 million was expended in the third quarter toward the development and deployment of Metro's new time management solution.
- A total of \$3.3 million has been invested in the Metro Transit Police Department (MTPD) capital program in the first three quarters of FY2017. The bulk of this investment in the third quarter went toward the procurement of non-lethal weapons, as well as various security upgrades.
- Metro expended \$7.0 million in Support Equipment and Service through the third quarter, including continuing design for two underground storage tanks, ongoing maintenance of non-revenue facilities, building roofs, and lines of credit through the credit facility, as well as service vehicle leasing and replacement.

### **Reprogramming**

In addition to the first budget amendment approved by the Board in November, management has transferred budget authority between program areas to ensure that a) critical safety and reliability projects continue uninterrupted and b) the funding provided by Metro's local and federal partners does not go unused. A summary of the budget amendments and reprogramming actions by program will be included in the full FY2017 third quarter financial report.

### **Capital Program Labor and Non-Labor**

Of the \$874 million invested in the CIP through the third quarter, approximately \$594 million or 68 percent of the investment is for work performed by contractors and other third parties, including \$588 million for construction and equipment expenses, \$4 million for materials and supplies, and \$2 million for line of credit costs. Approximately \$242 million (28 percent) of the remaining expenditures are for labor costs (wages/salaries and fringe benefits) of WMATA employees, and an additional \$39 million (4 percent) represents indirect costs.

### **FTA Recovery Plan and Status of Grant Applications**

In December 2016, FTA restored Metro's ECHO reimbursement rights for grants awarded after July 1, 2015, following FTA's determination that Metro has made substantial progress in addressing the financial and procurement weakness identified in

FTA's 2014 Financial Management Oversight review. Metro has drawn \$1.5 billion of FTA grant reimbursements since the ECHO restriction was imposed in March 2014.

As of March 2017, Metro had \$280 million of unreimbursed costs on restricted Formula and PRIIA grants. Metro and FTA have reached agreement on a recovery plan to allow Metro to receive reimbursement on these older grants.

- Four PRIIA and two formula grants have been revised to replace old costs with current year railcar acquisition, SafeTrack, and safety-focused maintenance costs.
- Two other formula grants have been de-obligated and the \$163 million Federal portion placed on a new grant for safety-focused maintenance expenses which is expected to be awarded before the end of FY2017.
- A total of \$59 million of reimbursements from the PRIIA and formula grants have been received since the March update to the Board, and Metro expects to draw approximately \$100 million upon the award of the new grant. Metro anticipates that all \$221 million remaining to be reimbursed will be received by the end of calendar year 2017.

Metro's Federal Fiscal Year 2017 formula and PRIIA grant applications have all been submitted to FTA. One grant has already been awarded, and the remaining three are expected to be awarded before the start of FY2018.

### **Proposed CIP Amendments**

Based on the investment progress through the third quarter described above, total capital program expenditures for FY2017 are now forecast at \$1,125 to \$1,175 million. In order to ensure uninterrupted delivery and acceptance of new 7000 series railcars and continuation of the SafeTrack program, along with all the other program investments, additional capital budget authority is required in FY2017.

Staff recommends an additional \$75 million in FY2017 budget authority across four program areas: \$41 million for Railcar Acquisition (to support 7000 series railcar deliveries); \$6 million for Railcar Maintenance/Overhaul (to fund railcar parts purchases); \$20 million for Fixed Rail (to support the extension of the SafeTrack program); and \$8 million for Bus Maintenance Facilities (to allow continued construction on the new Cinder Bed Road and Andrews Federal Center facilities). This additional proposed investment would be funded in FY2017 through property sales (estimated at \$20 million) and through Metro's existing lines of credit (LOC) or other short-term debt instruments. By utilizing short-term financing, no additional jurisdictional contribution will be required in FY2017.

### **Property Sales**

Metro is anticipating approximately \$20 million in total proceeds from the sale of five properties before the end of FY2017. As noted above, these proceeds will support the additional budget authority being requested in this CIP amendment. The five properties are the Brookland Parcels (sold in March 2017); Ames Street, Stone Straw, and Benning Road (anticipated in May 2017); and Sayre Road (anticipated in June 2017).

### **FUNDING IMPACT:**

If approved, total FY2017 capital budget authority will increase from \$1,101 million to \$1,176
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million.

Project Manager:	Thomas J. Webster
Project Department/Office:	CFO/OMBS

**TIMELINE:**

<b>Previous Actions</b>	April 2016 - Adoption of original \$950 million FY2017 capital budget November 2016 - Amendment to FY2017 capital budget to increase authority by \$150 million to support SafeTrack and 7000 series railcar delivery
<b>Anticipated actions after presentation</b>	June 30, 2017 - End of FY2017 September 2017 - FY2017 Year End Update Presentation to Finance Committee

**RECOMMENDATION:**

Recommend approval to amend FY2017-2022 CIP:

- Increase FY2017 budget authority for four program areas:
  - Railcar Acquisition: \$41 million
  - Railcar Maintenance/Overhaul: \$6 million
  - Fixed Rail: \$20 million
  - Bus Maintenance Facilities: \$8 million



Washington Metropolitan Area Transit Authority

# FY2017 Third Quarter Operating and Capital Budget Update and CIP Amendment

Finance Committee  
May 11, 2017



## Purpose

- Provide FY2017 third quarter operating and capital budget updates
- Request approval of amendment for additional FY2017 capital budget authority



# Financial Update

- Management cost reduction actions have offset most of the revenue losses to date; aggressive efforts must continue to balance the budget
- Year-end deficit forecast has improved by \$37 million, but use of prior year reserve likely necessary
- ECHO restrictions lifted for five additional PRIIA grants and \$1.5 billion received since ECHO restriction; \$221 million of old grants remaining to be reimbursed
- Line of Credit capacity at \$350 million as of April 30
- All FY2018 grant applications submitted to FTA, one grant awarded to date



# FY2017-Q3 Operating Position

- Passenger revenue below last year by \$60 million (below budget by \$87 million) due to:
  - ✓ SafeTrack
  - ✓ Reliability challenges
  - ✓ Market factors (competition, gas prices, telework, etc.)
- Management aggressively controlling costs – expenses below budget by \$76 million, but not sufficient to fully offset revenue losses
- Current deficit is \$11 million, better than previous forecast
- Year-end deficit forecast at \$18 million (assumes transfer of \$20 million in parts to capital), to be addressed with prior year surplus (forecast was \$75 million previously)



# Net Operating Position

<i>(millions)</i> Year to Date	FY2017-Q3		Variance	
	Budget	Actual	\$	Percent
Revenue	\$ 662	\$ 575	\$(87)	-13%
Expense	\$ 1,308	\$ 1,232	\$(76)	-6%
Net Subsidy	\$ 646	\$ 657	\$ 11	2%
Cost Recovery	51%	47%		



# Operating Budget Forecast

(\$ in millions)	Jul-Mar Actual	Apr-Jun Forecast	Forecast 2017	Budget 2017	FY17 Forecast v. Budget	
					\$	%
<b>REVENUES</b>	<b>\$600</b>	<b>\$209</b>	<b>\$809</b>	<b>\$934</b>	<b>(\$125)</b>	<b>-13%</b>
EXPENSES						
<b>Total Personnel</b>	<b>\$930</b>	<b>\$313</b>	<b>\$1,244</b>	<b>\$1,315</b>	<b>\$71</b>	<b>5%</b>
Non-Personnel						
Services	\$177	\$57	\$234	\$245	\$11	4%
Materials & Supplies	\$87	\$15	\$102	\$85	(\$17)	-20%
Fuel (Gas/Diesel/CNG)	\$15	\$8	\$23	\$39	\$16	41%
Utilities & Propulsion	\$62	\$21	\$83	\$91	\$8	9%
Insurance/Other	\$25	\$11	\$36	\$48	\$12	25%
Capital Allocation	(\$39)	(\$11)	(\$50)	(\$43)	\$7	16%
<b>Total Non-Personnel</b>	<b>\$327</b>	<b>\$101</b>	<b>\$428</b>	<b>\$464</b>	<b>\$36</b>	<b>8%</b>
<b>TOTAL EXPENSES</b>	<b>\$1,257</b>	<b>\$414</b>	<b>\$1,672</b>	<b>\$1,780</b>	<b>\$108</b>	<b>6%</b>
<b>NET SUBSIDY</b>	<b>\$657</b>	<b>\$205</b>	<b>\$863</b>	<b>\$845</b>	<b>(\$18)</b>	<b>-2%</b>

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



# Management Actions to Balance Budget

- Already underway:
  - ✓ Headcount reduction (including call center and sales offices)
  - ✓ Hiring and spending freeze
  - ✓ Healthcare cost reductions
  - ✓ Absenteeism and workers' comp
  - ✓ Transfer parts for railcar rehabilitation to capital
- Actions requiring Board approval
  - ✓ Use of prior year surplus (if necessary)
- Potential risks



# Recap of FY2017 Capital Budget

- Original FY2017 budget set at \$950 million based on pre-FY2016 experience
- Board authorized increase to \$1.1 billion in November, primarily for SafeTrack and accelerated 7000 series railcar delivery
- Year-end forecast consistently \$1.1 billion to \$1.2 billion; additional FY2017 budget authority now required for safety and reliability projects



# FY2017 Q3 Summary and Year-End Forecast

Investment Category	YTD Actual	Q4 Forecast	Year-End Forecast	Current Budget	Over/ (Under)
Railcars	\$370.0	\$121.3	\$491.3	\$444.9	\$46.5
Rail Systems	47.7	28.8	76.5	76.8	(0.3)
Track & Structures Rehabilitation	117.9	38.0	155.9	141.0	14.9
Stations & Pass. Facilities	115.0	36.8	151.8	156.1	(4.4)
Bus & Paratransit Vehicles	186.4	44.6	231.0	224.7	6.3
Business Support	37.2	19.3	56.5	57.5	(1.0)
<b>TOTAL</b>	<b>\$874.2</b>	<b>\$288.9</b>	<b>\$1,163.0</b>	<b>\$1,100.9</b>	<b>\$62.1</b>



# Railcars

Investment by Program	YTD Actual	Q4 Forecast	Year-End Forecast	Current Budget	Over/ (Under)
Acquisition	\$260.9	\$73.9	\$334.8	\$293.8	\$40.9
Maintenance/ Overhaul	84.6	36.0	120.6	115.0	5.6
Maintenance Facilities	24.6	11.5	36.0	36.1	(0.0)
<b>Total</b>	<b>\$370.0</b>	<b>\$121.3</b>	<b>\$491.3</b>	<b>\$444.9</b>	<b>\$46.5</b>

## FY2017 YTD Activities

- 168 new 7000 series railcars accepted
- Retired 198 1000 series railcars and 46 4000 series railcars from service
- Started rehabilitation of railcar lifts at West Falls Church and Shady Grove
- Transfer parts used in railcar rehabilitation to capital program





# Rail Systems

Investment by Program	YTD Actual	Q4 Forecast	Year-End Forecast	Current Budget	Over/ (Under)
Propulsion	\$18.9	\$11.4	\$30.2	\$30.3	(\$0.1)
Signals & Communications	28.9	17.4	46.3	46.5	(0.2)
<b>Total</b>	<b>\$47.7</b>	<b>\$28.8</b>	<b>\$76.5</b>	<b>\$76.8</b>	<b>(\$0.3)</b>

## FY2017 YTD Activities

- 3 traction power substations delivered and 9 TPSS equipment rooms rehabilitated
- Radio/power/ATC below forecast due to contract award delay
- Cell service between Potomac Avenue and Stadium-Armory went live
- Work began in February on above-ground portions of radio communications system replacement project





# Track & Structures Rehabilitation

Investment by Program	YTD Actual	Q4 Forecast	Year-End Forecast	Current Budget	Over/(Under)
Fixed Rail	\$112.9	\$35.8	\$148.6	\$133.4	\$15.2
Structures	4.9	2.1	6.9	7.1	(0.1)
Track Maintenance Equip.	0.1	0.2	0.3	0.5	(0.2)
<b>Total</b>	<b>\$117.9</b>	<b>\$38.0</b>	<b>\$155.9</b>	<b>\$141.0</b>	<b>\$14.9</b>

## FY2017 YTD Activities

- SafeTrack Surge 12 completed in February; YTD milestones include:
  - Installed approx. 35,000 new crossties
  - Completed 12 turnouts
  - Replaced 11 miles of running rail
  - Tamped 28 miles of running rail
  - Replaced approx. 11,000 insulators
- Two additional Surges planned for May/June





# Stations & Passenger Facilities

Investment by Program	YTD Actual	Q4 Forecast	Year-End Forecast	Current Budget	Over/ (Under)
Platforms & Structures	\$64.5	\$18.0	\$82.5	\$81.4	\$1.1
Vertical Transp.	36.7	7.5	44.2	47.0	(2.8)
Fare Collection	2.8	2.4	5.2	6.2	(1.0)
Station Systems	8.7	7.7	16.3	18.1	(1.8)
Parking Facilities	2.3	1.2	3.5	3.4	0.1
<b>Total</b>	<b>\$115.0</b>	<b>\$36.8</b>	<b>\$151.8</b>	<b>\$156.1</b>	<b>(\$4.4)</b>

## FY2017 YTD Activities

- Orange/Blue: replacement of 12 exhaust fans
- 11 elevators rehabilitated, 22 escalators replaced
- Escalator canopy work continued at 4 stations
- Completed phase one concrete repairs at Rhode Island Ave Station; phase two scheduled for FY2018





# Bus & Paratransit Vehicles

Investment by Program	YTD Actual	Q4 Forecast	Year-End Forecast	Current Budget	Over/ (Under)
Bus Acquisition	\$56.4	\$2.5	\$58.9	\$57.2	\$1.7
Bus Maint./Overhaul	68.5	13.8	82.3	84.7	(2.4)
Bus Maint. Facilities	58.2	13.6	71.8	63.6	8.2
Bus Passenger Facilities	2.7	1.2	3.9	4.4	(0.6)
Paratransit	0.7	13.5	14.2	14.8	(0.6)
<b>Total</b>	<b>\$186.4</b>	<b>\$44.6</b>	<b>\$231.0</b>	<b>\$224.7</b>	<b>\$6.3</b>

## FY2017 YTD Activities

- 104 Buses delivered, 75 rehabilitations complete
- Production of MetroAccess vans underway, 207 planned for delivery
- Cinder Bed Road construction to be completed in summer 2017; Andrews Fed. Center construction underway, completion anticipated 2019



*Cinder Bed Road*

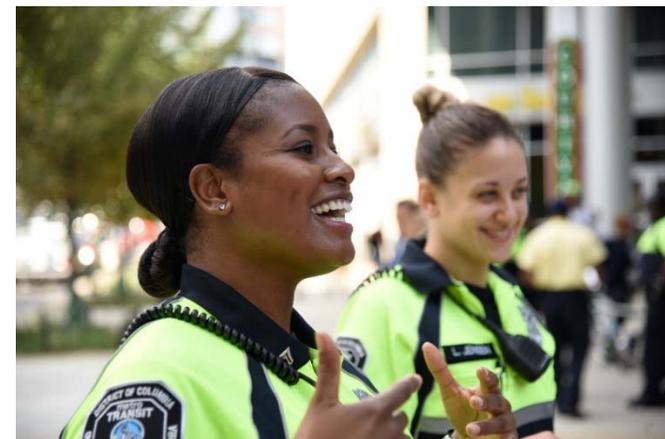


# Business Support

Investment by Program	YTD Actual	Q4 Forecast	Year-End Forecast	Current Budget	Over/ (Under)
IT	\$26.9	\$13.1	\$40.1	\$41.6	(\$1.5)
MTPD	3.3	1.4	4.7	4.9	(0.3)
Support Equip./Services	7.0	4.8	11.8	10.9	0.8
<b>Total</b>	<b>\$37.2</b>	<b>\$19.3</b>	<b>\$56.5</b>	<b>\$57.5</b>	<b>(\$1.0)</b>

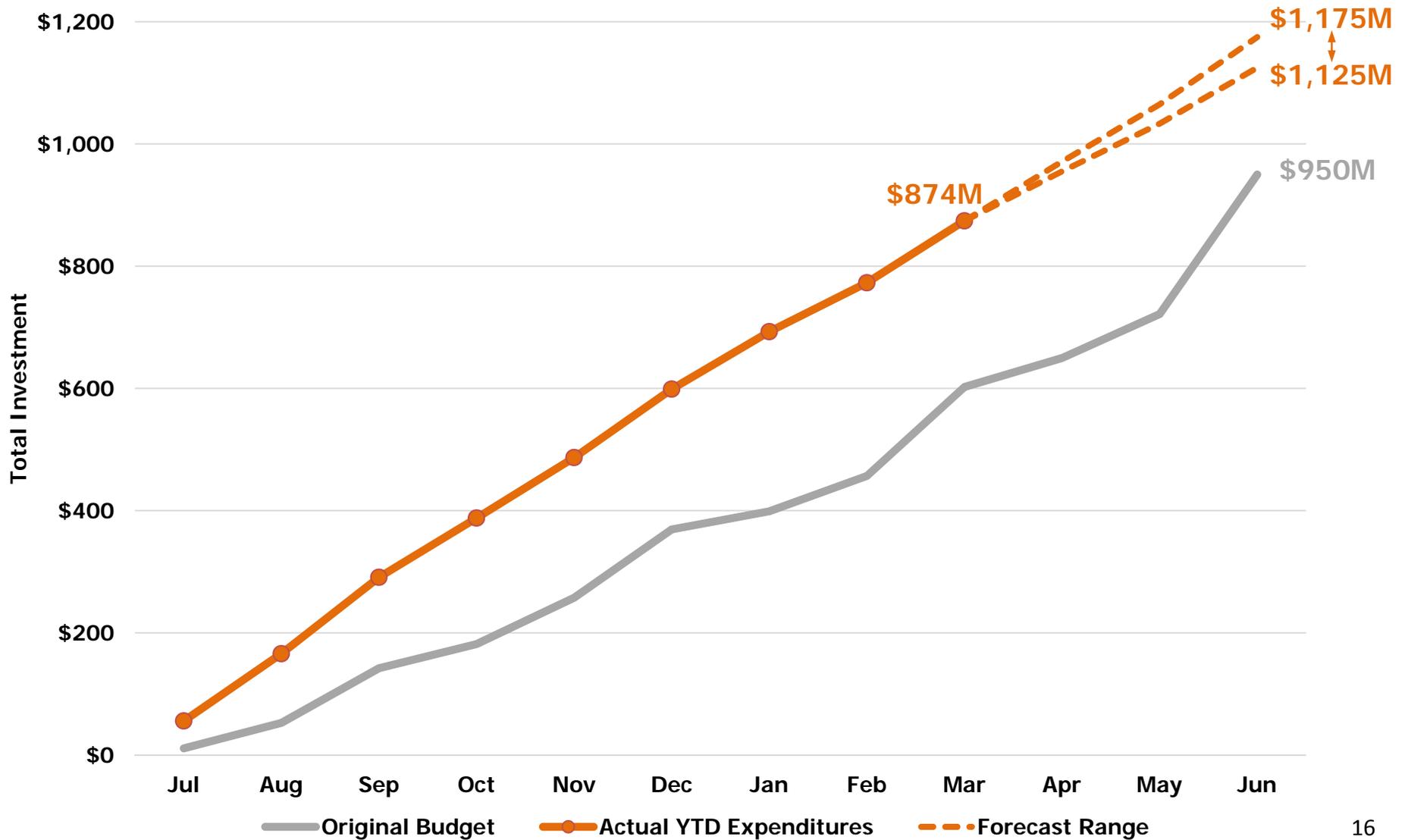
## FY2017 YTD Activities

- New timekeeping system project progressing, roll-out planned for mid-FY2018
- 19 MTPD and 16 non-revenue vehicles delivered and accepted
- Surveys of transformer tanks completed, design for two tanks underway





# FY2017 CIP Year-End Forecast





# CIP Amendment Proposal

- \$75 million additional FY2017 budget authority to support railcar acquisition (\$41 million), railcar maintenance/overhaul (\$6 million), SafeTrack (\$20 million), and Cinder Bed/Andrews bus facilities (\$8 million)
- Additional investments will be funded from real estate sales (est. \$20 million) and short-term line of credit to be repaid in FY2018
- Management will reprogram budget as necessary in Q4 to ensure safety and reliability projects are uninterrupted



# Recommendation

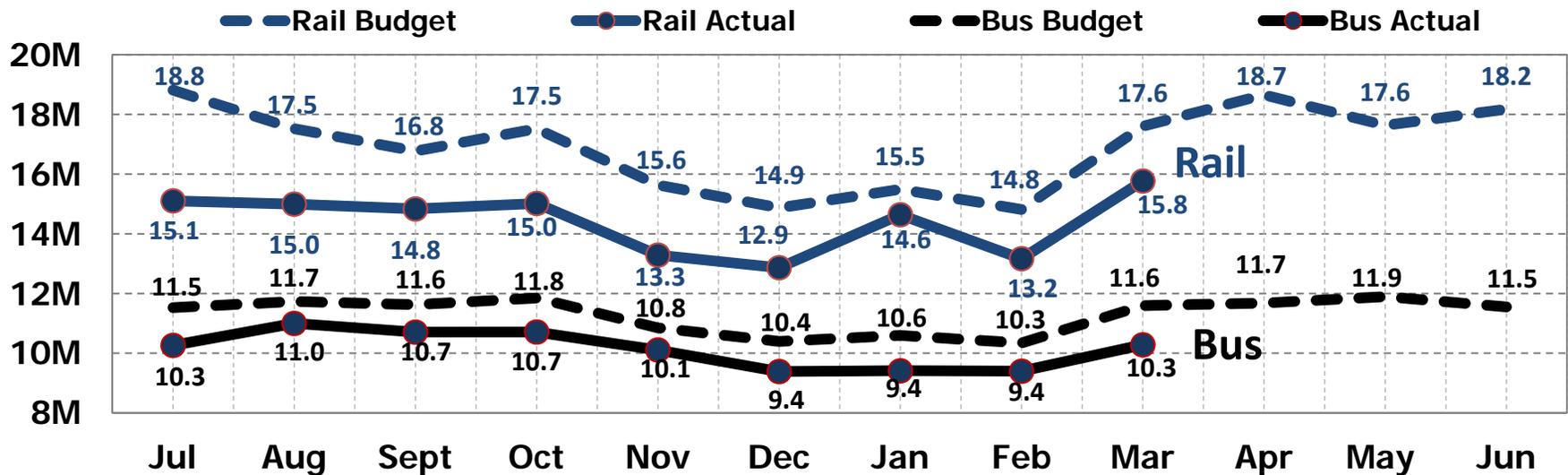
- Approval to amend/increase FY2017 CIP budget for the following programs:
  - Railcar Acquisition: \$41 million
  - Railcar Maintenance/Overhaul: \$ 6 million
  - Fixed Rail: \$20 million
  - Bus Maintenance Facilities: \$ 8 million
  - **Total: \$75 million**



# Appendix: Ridership

## Ridership (trips in thousands)

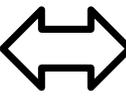
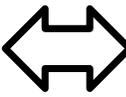
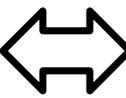
YTD	FY2016	FY2017		Variance	
	Actual	Budget	Actual	Prior Year	Budget
Metrorail	142,580	149,034	129,636	-9%	-13%
Metrobus	95,290	100,480	91,206	-4%	-9%
MetroAccess	1,686	1,802	1,761	4%	-2%
<b>System Total</b>	<b>239,556</b>	<b>251,316</b>	<b>222,603</b>	<b>-7%</b>	<b>-11%</b>





# Appendix: Operating Revenue

## FY2017 Ridership and Revenue Through Q3

Mode	Measure	Budget	Actual	Variance
Rail	Ridership	149 million	130 million	
	Revenue	\$449 million	\$383 million	
Bus	Ridership	100 million	91 million	
	Revenue	\$113 million	\$96 million	
Access	Ridership	1.8 million	1.8 million	
	Revenue	\$7.4 million	\$7.3 million	
Parking	Revenue	\$34 million	\$31 million	
Non-Passenger	Revenue	\$46 million	\$46 million	



# Appendix: Operating Expense

## FY2017 Operating Expenses Through Q3

Expense Category		Budget	Actual	Variance
Labor	Salaries, Wages and Fringe	\$983 million	\$925 million	
Non-Labor	Fuel, Propulsion and Utilities	\$96 million	\$75 million	
	Services	\$166 million	\$160 million	
	Materials and Supplies	\$60 million	\$87 million	
	Insurance and Other	\$35 million	\$24 million	
	Capital Indirect Allocation	(\$32 million)	(\$39 million)	
<b>Total Operating Expenses</b>		<b>\$1.31 billion</b>	<b>\$1.23 billion</b>	



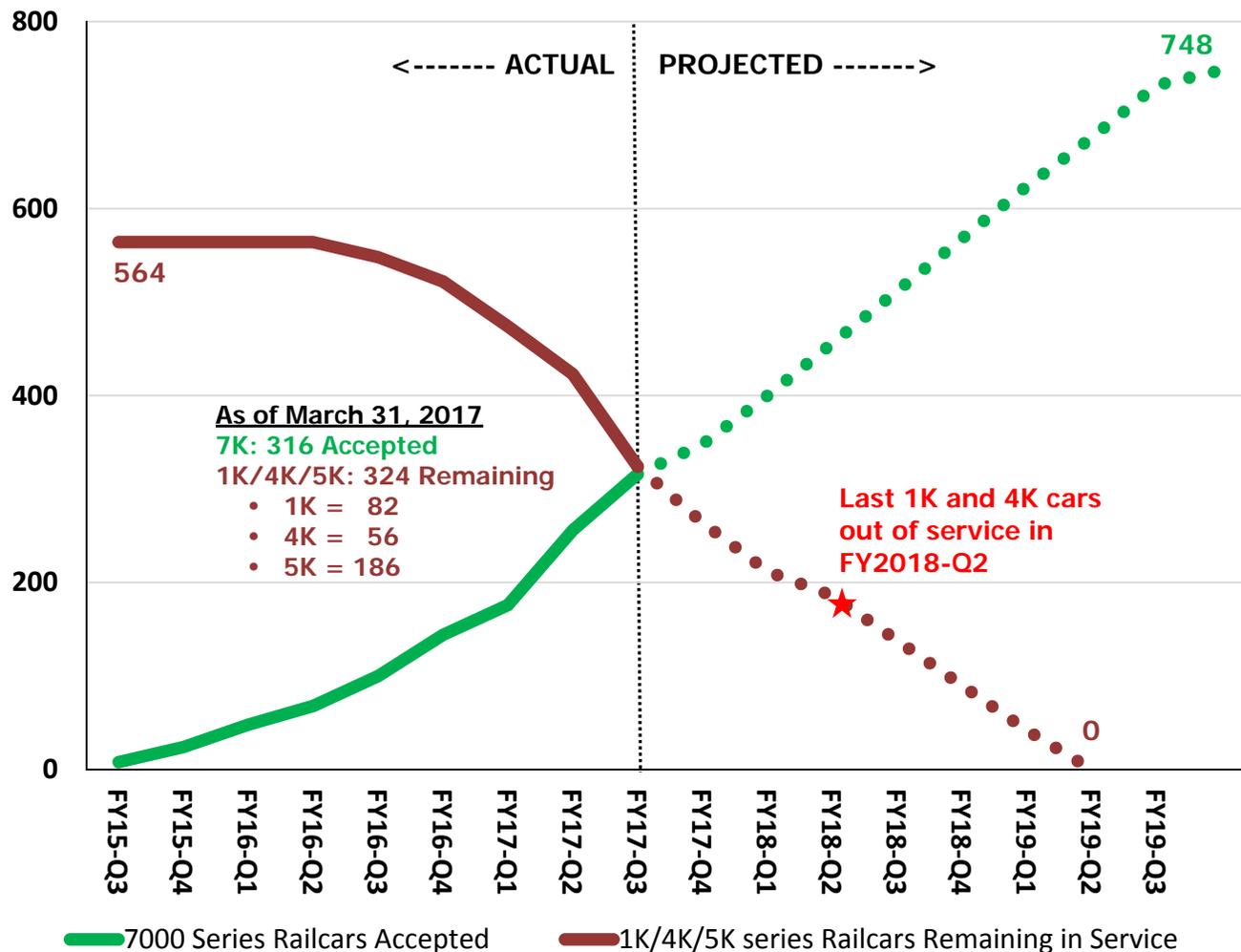
# Appendix: Current vs. Prior Forecast

(\$ in millions)	Prior Forecast	Current Forecast	Change (\$)
<b>REVENUES</b>	<b>\$809</b>	<b>\$809</b>	<b>0</b>
<b>EXPENSES</b>			
<b>Total Personnel</b>	<b>\$1,251</b>	<b>\$1,244</b>	<b>\$7</b>
<i>Non-Personnel</i>			
Services	\$254	\$234	\$20
Materials & Supplies	\$130	\$102	\$28
Fuel (Gas/Diesel/CNG)	\$28	\$23	\$5
Utilities & Propulsion	\$82	\$83	(\$1)
Insurance/Other	\$37	\$36	\$1
Capital Allocation	(\$54)	(\$50)	(\$4)
<b>Total Non-Personnel</b>	<b>\$479</b>	<b>\$428</b>	<b>\$51</b>
<b>TOTAL EXPENSES</b>	<b>\$1,729</b>	<b>\$1,672</b>	<b>\$57</b>
<b>NET SUBSIDY</b>	<b>\$921</b>	<b>\$863</b>	<b>\$58</b>

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



# Appendix: 7000 Series Railcar Acquisition Program



Total Estimated Project Cost *	\$1,679.8
Life to Date Expenses	\$748.9
Remaining Cost to Complete	\$930.8

\$ in millions

\* Includes 128 MWAA-funded railcars for Silver Line

SUBJECT: SECOND AMENDMENT TO FISCAL YEAR 2017-2022 CAPITAL IMPROVEMENT PROGRAM BUDGET

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

WHEREAS, In Resolution 2017-11, the Board of Directors amended the capital reprogramming authority delegated to the General Manager/Chief Executive Officer (GM/CEO) to allow reprogramming among categories, programs, projects, or any other budget division so long as the total adopted Capital Improvement Program (CIP) budget is not increased; and

WHEREAS, The Washington Metropolitan Area Transit Authority (WMATA) has identified Railcar Acquisition, Railcar Maintenance/Overhaul, SafeTrack and Bus Maintenance Facilities as capital program investment areas that are ahead of schedule and will incur expenses higher than currently budgeted in FY2017 and therefore require an increase to the total CIP budget; now, therefore be it

*RESOLVED*, That the Fiscal Year (FY)2017 CIP budget is amended as follows:

- Railcar Acquisition is increased by \$41.0 million to \$334.8 million to support accelerated delivery of new 7000 series railcars;
- Railcar Maintenance/Overhaul is increased by \$6.0 million to \$121.0 million to support the purchase of railcar parts;
- Fixed Rail is increased by \$20.0 million to \$153.9 million to support expanded SafeTrack efforts;
- Bus Maintenance Facilities is increased by \$8.0 million to \$71.6 million to support the ongoing construction of the Cinder Bed Road and Andrews Federal Center bus facilities; and be it further

*RESOLVED*, That the total additional budget authority of \$75.0 million for these four programs shall be funded in FY2017 through funds received from property sales (currently estimated at \$20 million) and through the utilization of WMATA's short-term lines of credit and/or other short-term debt instruments as shall be deemed appropriate by the GM/CEO and the Chief Financial Officer, and subject to any required Board of Directors approvals; and be it finally

*RESOLVED*, That to ensure that 7000 series railcar deliveries, SafeTrack activities, and bus maintenance facility construction may continue without interruption, this Resolution shall be 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