



**Finance Committee**

**Information Item IV-A**

**November 2, 2017**

## **FY2018 First Quarter Financial Update**

Washington Metropolitan Area Transit Authority

## Board Action/Information Summary

☐ Action ☒ Information

MEAD Number:  
201928

Resolution:  
☐ Yes ☒ No

### TITLE:

FY2018 First Quarter Financial Update

### PRESENTATION SUMMARY:

Present FY2018 first quarter operating and capital results.

### PURPOSE:

Management will update the Finance Committee on the FY2018 operating and capital budget results and highlight key challenges and major accomplishments of the first quarter.

### DESCRIPTION:

#### Key Highlights:

- Operating revenues in the first quarter of FY2018 were \$206 million or \$9 million below budget, driven largely by declining Bus ridership and revenue. Rail ridership is stabilizing post-SafeTrack, but Bus ridership declines continue.
- Operating expenses totaled \$429 million or \$27 million below budget. The favorability was primarily driven by lower costs for salaries and wages, which were \$10 million below budget, and services which were \$16 million below budget.
- Operating subsidy for Q1 was \$19 million favorable to budget, mainly due to timing of services costs and continuing vacancies; full year operating subsidy is forecasted to be \$6 million favorable.
- \$228 million of Capital investments were made in Q1 compared to a budget of \$231 million. Full year capital investment is forecasted between \$1,190 and \$1,260 million, compared to a budget of \$1,250 million.
- FY2018 FTA formula and PRIIA grants were awarded and 2017 bonds were issued.
- FTA closed Financial Management Oversight Review and fully restored grant drawdown privileges.

#### Background and History:

Operating Budget

The \$1.8 billion operating budget included \$845 million of passenger fares and non-fare revenue (i.e. advertising, etc.) and \$980 million of operating subsidy from Metro's funding jurisdictions. The FY2018 operating budget represents a \$35 million increase in jurisdictional subsidy contributions from the level of FY2016 and FY2017 (operating subsidy remained at \$845 million both years).

#### Capital Budget

Metro's original FY2018 capital budget of \$1.25 billion included funding to repair, rehabilitate, and replace Metro's capital assets, including vehicles, stations, track and structures, power, yards and garages and business support.

#### Discussion:

Operating revenues in the first quarter of FY2018 were \$206 million or \$9 million below budget, while operating expenses totaled \$429 million or \$27 million below budget. The favorability in operating expenses was primarily driven by lower costs for salaries and wages, which were \$10 million below budget, and services which were \$16 million below budget.

The operating revenue unfavorability to budget is primarily attributable to a continued decline in bus ridership compared to prior year. While bus revenue was three percent lower than last year, it was 12 percent below budget for the quarter. Ridership on both bus and rail continues to face challenges stemming from perceived service, growth in alternative transportation options, low gasoline prices, and telecommuting.

#### Operating Revenue

Total WMATA revenue was \$206 million in the first quarter, below budget by \$9 million or four percent. Metrorail passenger revenue of \$138 million was \$1.5 million (one percent) below budget but was five percent higher than prior year, potentially signaling a degree of stability in rail ridership and revenue to start FY2018.

Metrobus passenger revenue of \$34 million was \$4 million below budget for the quarter (or 12 percent), representing a decline of \$1 million (three percent) from last year. MetroAccess revenue was three percent below budget, while ridership was four percent below budget and was three percent lower than prior year.

Parking was three percent below budget, while Non-Passenger revenue was below budget by 11 percent. However, Parking revenue grew three percent compared to the prior first quarter while Non-Passenger revenue grew six percent.

Total transit ridership on all modes in the first quarter was 75 million trips, a decrease of 2.8 million trips or four percent compared to prior year. While Metrobus ridership was projected to decline in FY2018, Metrorail and MetroAccess ridership were budgeted to increase slightly in FY2018. Actual ridership was below budget for all three modes in the first quarter and total ridership for all modes was below budgeted trips by 2.8 million or four percent.

#### Capital Investment Program

Metro invested \$228.3 million in its capital program in FY2018 Q1, compared to a budget of \$231.2 million. Full year capital investment is forecasted between \$1,190 and

\$1,260 million, compared to a budget forecast of \$1,250 million. FY2018 Q1 capital program performance by category is summarized below.

#### Railcars

Metro invested \$106.5 million in the Railcar category in FY2018 Q1. Highlights include:

- 56 new 7000 series railcars accepted - a total of 420 new railcars accepted through Sept 2017
- Completed Door Overhauls on 92 railcars and completed upgrades to HVAC units on 18 railcars
- Completed rehabilitation of railcar lifts at Shady Grove, three additional locations in progress

#### Rail Systems

Metro invested \$17.6 million in Rail Systems in FY2018 Q1. Highlights include:

- Started pilot project for Track Inspector Location Awareness
- Cell service initiated between Potomac Avenue and Metro Center, Benning Rd. to Largo Town Center segment continuing
- 2 traction power substations and 3 tie breaker stations rehabilitated on the Orange and Blue lines
- Completed initiative to elevate traction power cables to reduce risk of exposure to water and elements

#### Track & Structures

Metro invested \$27.3 million in Track & Structures in FY2018 Q1. Highlights include:

- 6,285 defective crossties replaced
- 4,299 Fasteners renewed
- 255 open rail joints welded
- 1,748 insulators replaced
- Completed Part 1 of the Red Line Water Mitigation pilot work near Medical Center

#### Stations & Passenger Facilities

Metro invested \$30.9 million in Stations & Passenger Facilities in FY2018 Q1. Highlights include:

- New Station Lighting program initiative is underway; contract award is expected in FY2018
- Four escalators replaced and one elevator rehabilitated
- Escalator canopy work continued at three stations – Huntington, Shady Grove and Deanwood
- Complete ceiling lighting at Pentagon, McPherson Square, and Farragut West

#### Bus & Paratransit

Metro invested \$33.3 million in the Bus & Paratransit in FY2018 Q1. Highlights include:

- 25 Metrobus rehabilitations complete
- RFP issued for five year Bus acquisition
- Executed contract to install security cameras on 230 buses
- Andrews Federal Center bus garage construction on-going with planned completion in 2019

#### Business Support

Metro invested \$12.7 million in FY2018 Q1 in the Business Support program. Highlights

include:

- Functional testing completed for the Time Keeping project
- Began construction at 16 underground stations and underlying core network infrastructure for public WiFi installation

#### Status of Grant Applications and Reimbursements

The following grants were awarded in FY2018 Q1:

- FTA Grant applications and amendments totaling \$407.3 million were awarded during the first quarter. All FY2018 formula and PRIIA grants are now in place.
- WMATA drew \$158.6 million from FTA funds in FY2018 Q1.
- FTA closed the Financial Management Oversight Review and fully restored ECHO drawdown privileges on all grants.

#### FUNDING IMPACT:

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

#### TIMELINE:

<b>Previous Actions</b>	October 2017 – FY2017 Fourth Quarter Financial Update
<b>Anticipated actions after presentation</b>	February 2018 - FY2018 Second Quarter Financial Update.

#### RECOMMENDATION:

Information item only - no action required.



Washington Metropolitan Area Transit Authority

# FY2018 First Quarter Financial Update

Finance Committee  
November 2, 2017



# Financial Update

- FY2018 Capital Program
  - ✓ \$228 million invested thru Q1
  - ✓ FY2018 FTA formula and PRIIA grants awarded and 2017 bonds issued
  - ✓ FTA closed Financial Management Oversight Review and fully restored ECHO drawdown privileges
- FY2018 Operating Budget
  - ✓ Management actions and other savings expected to offset revenue losses from lower ridership



# FY2018-Q1 Operating Results

- Total revenue and expenses of \$206 million and \$429 million respectively
- Total revenue was \$8.7 million below budget due to lower ridership
- Expenses are \$27.3 million below budget
  - ✓ Services \$16.2 million favorable
  - ✓ Salaries & Wages \$9.5 million favorable
- Overall \$18.6 million favorable thru Q1





# Net Operating Position

<i>(\$ in millions)</i>	FY2018-Q1		Favorable (Unfavorable)	
Year to Date	Budget	Actual	\$	Percent
<b>Revenues</b>	\$ 215	\$ 206	\$ (9)	(4%)
<b>Expenses</b>	\$ 457	\$ 429	\$ 27	6%
<b>Net Subsidy</b>	\$ 241	\$ 223	\$ 19	8%
<b>Cost Recovery</b>	47%	48%		



# FY2018 Q1 Operating Budget Results

<i>(\$ in millions)</i>	FY2018 Q1 Actual	FY2018 Q1 Budget	Favorable/ (Unfavorable)
<b>REVENUES</b>	<b>\$206.4</b>	<b>\$215.1</b>	<b>(\$8.7)</b>
Salary/Wages	193.1	202.5	9.5
Benefits	105.2	105.4	0.2
Overtime	20.0	20.6	0.6
<b>Total Personnel Expense</b>	<b>\$318.2</b>	<b>\$328.6</b>	<b>\$10.4</b>
Services	58.0	74.3	16.2
Materials & Supplies	25.8	24.4	(1.4)
Fuel (Gas/Diesel/CNG)	6.3	9.1	2.7
Utilities & Propulsion	21.0	22.0	1.1
Insurance/Other	9.0	10.5	1.4
Capital Allocation	(9.1)	(12.3)	(3.2)
<b>Total Non-Personnel Expense</b>	<b>\$111.1</b>	<b>\$128.0</b>	<b>\$16.9</b>
<b>TOTAL EXPENSES</b>	<b>\$429.2</b>	<b>\$456.5</b>	<b>\$27.3</b>
<b>NET SUBSIDY</b>	<b>\$222.8</b>	<b>\$241.4</b>	<b>\$18.6</b>



# FY2018 Preliminary Operating Budget Forecast and Risks

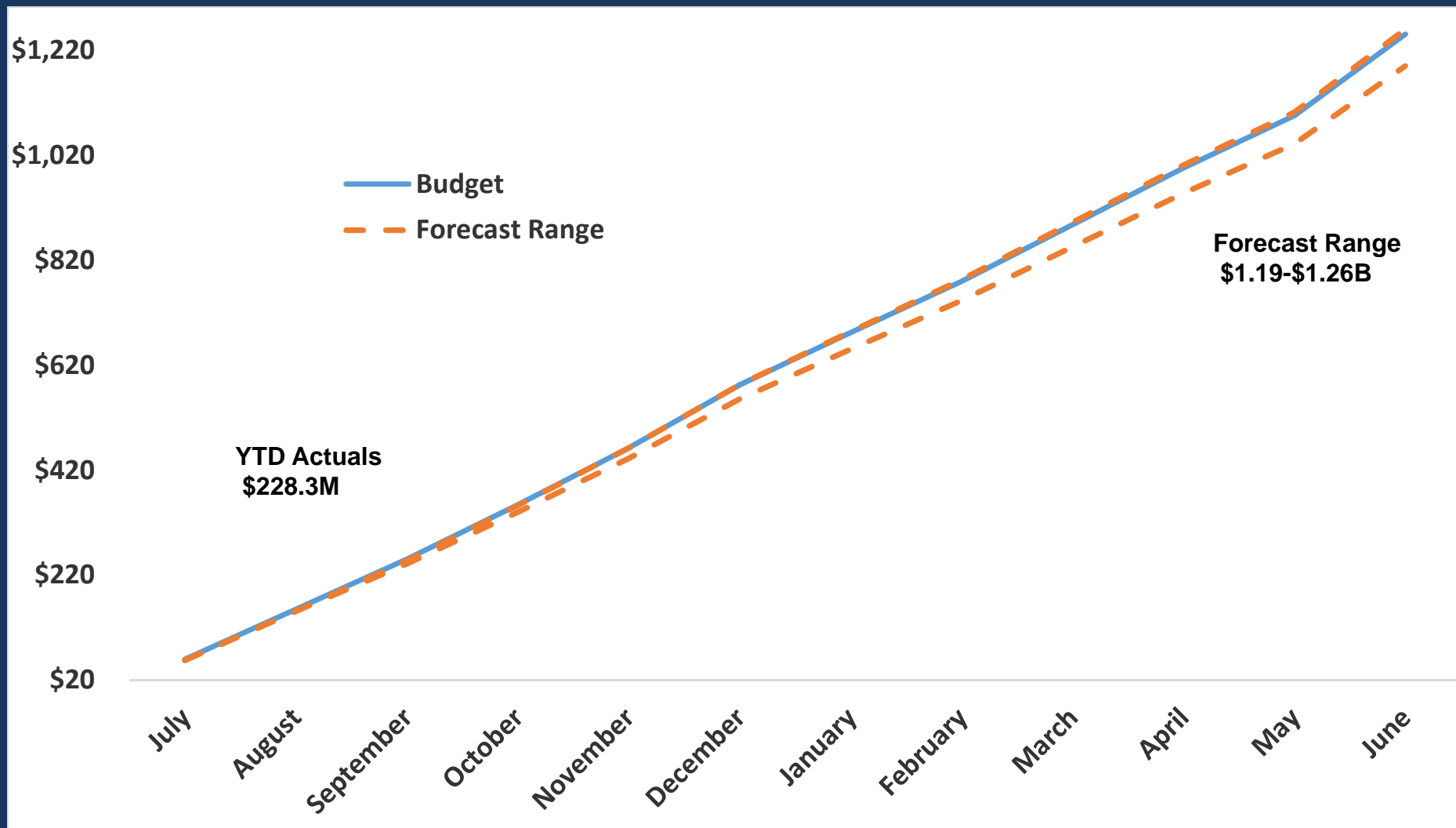
(\$ in millions)	FY2018-Year End		Favorable (Unfavorable)	
	Budget	Forecast	\$	%
<b>Revenue</b>	\$845	\$820	(\$25)	-3%
<b>Expense</b>	\$1,825	\$1,793	32	2%
<b>Net Subsidy</b>	\$980	\$973	6	1%
<b>Cost Recovery</b>	46%	46%		

## Risks:

- Outcome of collective bargaining
- Ridership uncertainty due to rider behavior and economic factors
- Paratransit ridership growth
- Weather events
- Additional track maintenance and safety needs



# FY2018 Capital Investment





# FY2018 Q1 Capital Budget Performance

Investment Category (\$ in millions)	FY18 Q1 Actual	FY18 Q1 Budget	FY2018 Forecast	FY2018 Budget	Over/(Under) Current Budget
Railcar	\$106.5	\$97.2	\$486.5	\$509.8	(\$23.3)
Rail Systems	17.6	19.4	132.7	129.4	3.3
Track & Structures Rehabilitation	27.3	30.3	125.8	127.1	(1.3)
Stations & Pass. Facilities	30.9	37.1	173.3	182.4	(9.1)
Bus & Paratransit	33.3	31.8	206.4	210.3	(3.9)
Business Support	12.7	15.4	92.3	91.0	1.3
<b>TOTAL</b>	<b>\$228.3</b>	<b>\$231.2</b>	<b>\$1,217.0</b>	<b>\$1,250.0</b>	<b>(\$33.0)</b>



# Railcar

Investment by Program (\$ in millions)	FY18 Q1 Actual	FY18 Q1 Budget	FY2018 Forecast	FY2018 Budget	Over/(Under) Current Budget
Acquisition	\$73.4	\$53.7	\$330.8	\$348.2	(\$17.4)
Maintenance/ Overhaul	\$25.0	\$35.3	\$117.7	\$121.6	(\$3.9)
Maintenance Facilities	\$8.1	\$8.2	\$38.0	\$40.0	(\$2.0)
<b>Total</b>	<b>\$106.5</b>	<b>\$97.2</b>	<b>\$486.5</b>	<b>\$509.8</b>	<b>(\$23.3)</b>

## FY2018 Q1 Accomplishments

- 56 new 7000 series railcars put into service - a total of 420 new railcars accepted through Sept 2017
- Complete Door Overhauls on 92 Railcars and completed upgrades to HVAC units on 18 railcars
- Completed rehabilitation of railcar lifts at Shady Grove, 3 additional locations in progress



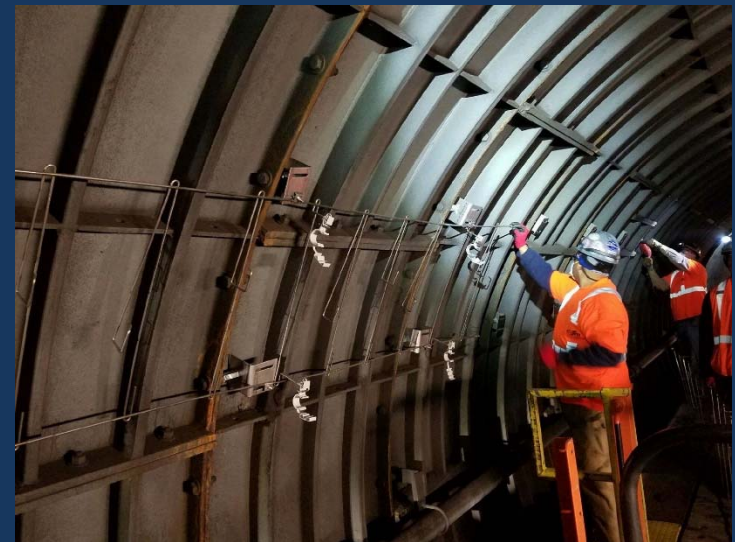


# Rail Systems

Investment by Program (\$ in millions)	FY18 Q1 Actual	FY18 Q1 Budget	FY2018 Forecast	FY2018 Budget	Over/(Under) Current Budget
Propulsion	\$7.3	\$9.4	\$46.5	\$39.4	\$7.1
Signals & Communications	\$10.3	\$10.0	\$86.2	\$90.0	(\$3.8)
<b>Total</b>	<b>\$17.6</b>	<b>\$19.4</b>	<b>\$132.7</b>	<b>\$129.4</b>	<b>\$3.3</b>

## FY2018 Q1 Accomplishments

- Started pilot project for Track Inspector Location Awareness
- Cell service initiated between Potomac Avenue and Metro Center, Benning Rd. to Largo Town Center segment continuing
- 2 traction power substations and 3 tie breaker stations rehabilitated on the Orange and Blue lines
- Completed initiative to elevate traction power cables to reduce risk of exposure to water and elements on the main line





# Track & Structures

Investment by Program (\$ in millions)	FY18 Q1 Actual	FY18 Q1 Budget	FY2018 Forecast	FY2018 Budget	Over/(Under) Current Budget
Fixed Rail	\$17.3	\$23.0	\$87.8	\$99.0	(\$11.2)
Structures	\$10.0	\$7.3	\$38.0	\$28.1	\$9.9
<b>Total</b>	<b>\$27.3</b>	<b>\$30.3</b>	<b>\$125.8</b>	<b>\$127.1</b>	<b>(\$1.3)</b>

## FY2018 Q1 Accomplishments

- 6,285 defective cross ties replaced
- 4,299 Fasteners renewed
- 255 open rail joints welded
- 1,748 insulators replaced
- Completed Part 1 of the Red Line Water Mitigation pilot work near Medical Center







# Stations & Passenger Facilities

Investment by Program (\$ in millions)	FY18 Q1 Actual	FY18 Q1 Budget	FY2018 Forecast	FY2018 Budget	Over/(Under) Current Budget
Platforms & Structures	\$16.7	\$20.6	\$75.9	\$85.9	(\$10.0)
Vertical Transp.	\$10.5	\$13.6	\$56.7	\$60.5	(\$3.8)
Station Systems	\$3.7	\$2.9	\$40.7	\$36.0	\$4.7
<b>Total</b>	<b>\$30.9</b>	<b>\$37.1</b>	<b>\$173.3</b>	<b>\$182.4</b>	<b>(\$9.1)</b>

## FY2018 Q1 Accomplishments

- New Station Lighting program initiative underway; contract award expected in FY18 Q2
- 4 escalators replaced and 1 elevator rehabilitated
- Escalator canopy work continued at 3 stations – Huntington, Shady Grove and Brookland
- Completed ceiling lighting at Pentagon, McPherson Square, and Farragut West





# Bus & Paratransit

Investment by Program (\$ in millions)	FY18 Q1 Actual	FY18 Q1 Budget	FY2018 Forecast	FY2018 Budget	Over/(Under) Current Budget
Bus and Paratransit Acquisition	\$0.0	\$0.2	\$79.5	\$77.8	\$1.7
Bus Maint./Overhaul	\$11.9	\$14.5	\$58.2	\$62.8	(\$4.6)
Bus Maint. Facilities	\$21.2	\$17.0	\$64.2	\$62.1	\$2.0
Bus Passenger Facilities	\$0.3	\$0.1	\$4.6	\$7.6	(\$3.0)
<b>Total</b>	<b>\$33.3</b>	<b>\$31.8</b>	<b>\$206.4</b>	<b>\$210.3</b>	<b>(\$3.9)</b>

## FY2018 Q1 Accomplishments

- 25 Metrobus rehabilitations complete
- RFP issued for 5 year Bus acquisition
- Executed contract to install security cameras on 230 buses
- Andrews Federal Center bus garage construction on-going with planned completion in 2019





# Business Support

Investment by Program (\$ in millions)	FY18 Q1 Actual	FY18 Q1 Budget	FY2018 Forecast	FY2018 Budget	Over/(Under) Current Budget
IT	\$10.2	\$11.0	\$71.0	\$66.4	\$4.7
MTPD	\$0.1	\$0.4	\$0.8	\$1.0	(\$0.2)
Support Equip./Services	\$2.4	\$4.0	\$20.4	\$23.6	(\$3.2)
<b>Total</b>	<b>\$12.7</b>	<b>\$15.4</b>	<b>\$92.3</b>	<b>\$91.0</b>	<b>\$1.3</b>

## FY2018 Q1 Accomplishments

- Functional testing completed for Time Keeping project
- Replaced bus garage routers and switches at end of useful life
- Began construction at 16 underground stations and underlying core network infrastructure for public WiFi installation.





# Appendix: Ridership

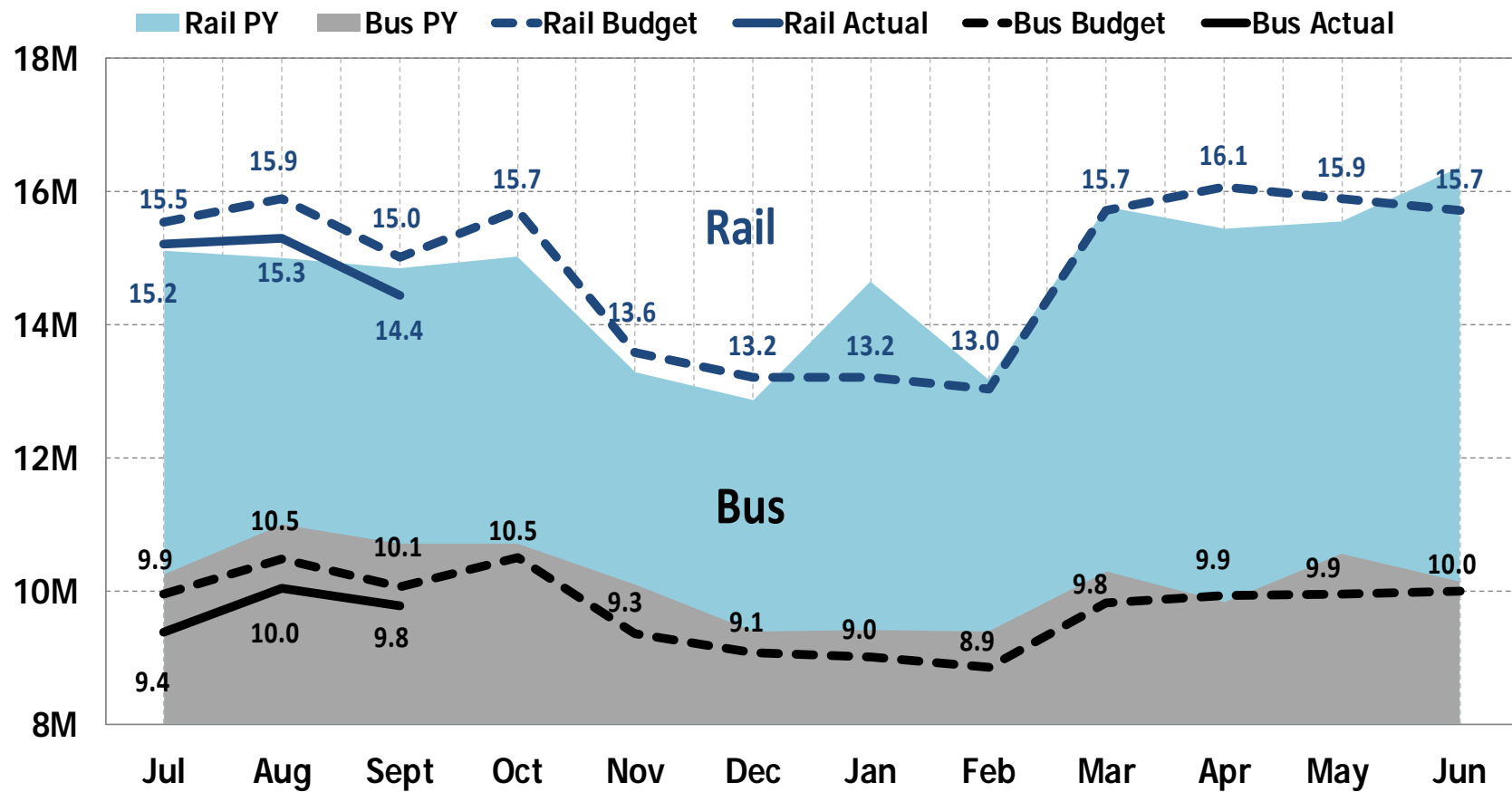
(trips in Thousands)

Q1	Q1-FY2017	Q1-FY2018		Variance FY2017	
	Actual	Actual	Budget	Prior Year	Budget
Metrorail	44,916	44,933	46,411	0.0%	-3.2%
Metrobus	31,950	29,184	30,482	-8.7%	-4.3%
MetroAccess	600	584	608	-2.7%	-3.9%
System Total	77,466	74,701	77,502	-3.6%	-3.6%



# Appendix: Ridership










MONTHLY RIDERSHIP FOR RAIL AND BUS (in Millions)





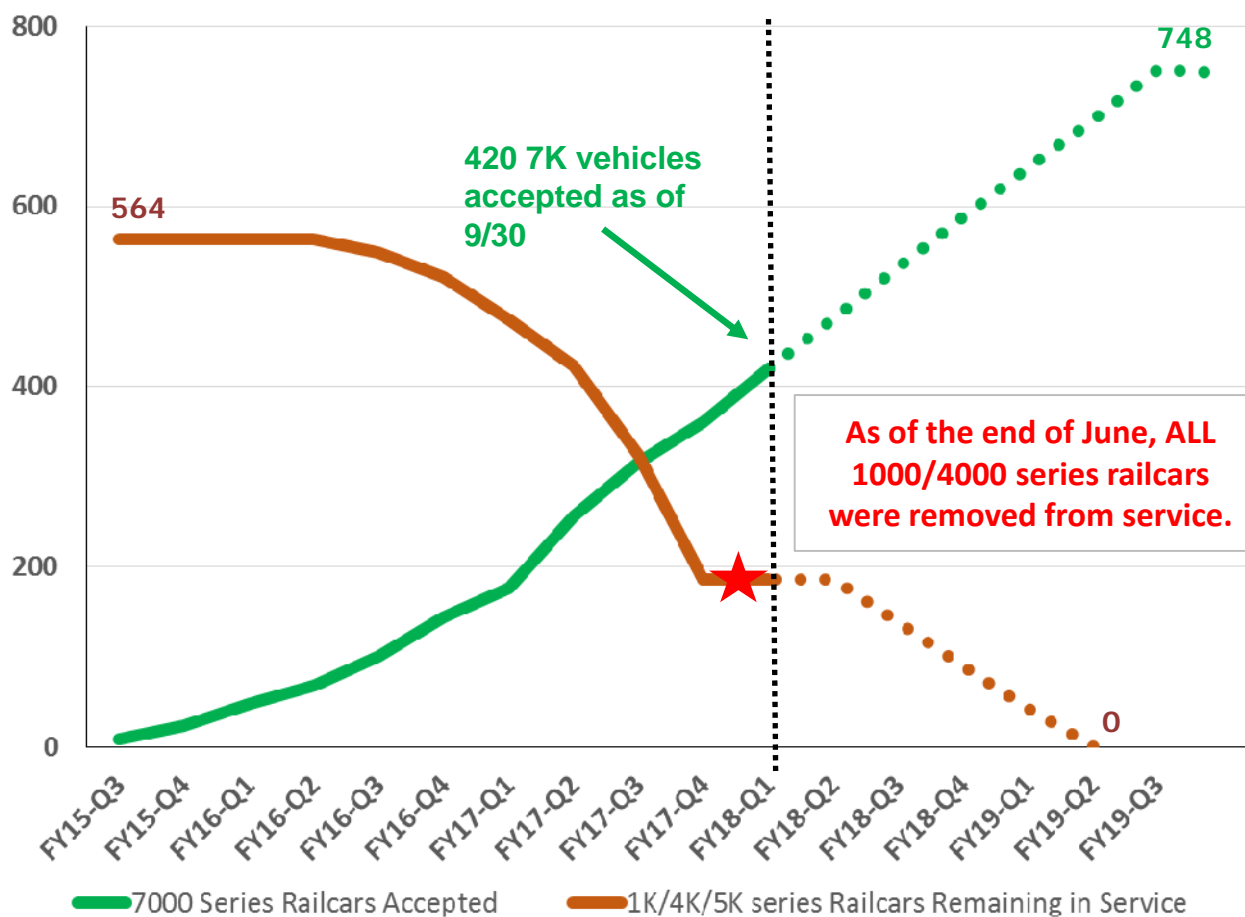
# Appendix: Operating Revenue

## FY2018 Ridership and Revenue Through Q1

Mode	Measure	Budget	Actual	Variance
Rail	Ridership	46 million	45 million	
	Revenue	\$140 million	\$138 million	
Bus	Ridership	30 million	29 million	
	Revenue	\$38 million	\$34 million	
Access	Ridership	0.6 million	0.6 million	
	Revenue	\$2.5 million	\$2.4 million	
Parking	Revenue	\$11 million	\$11 million	
Non-Passenger	Revenue	\$21 million	\$19 million	
Total Ridership		78 million	75 Million	
Total Revenue		\$215 million	\$206 Million	



# Appendix: 7000 Series Railcar Acquisition Program



Total Estimated Project Cost	\$1,709
Life to Date Expenses	\$869
Remaining Cost to Complete	\$840

\$ in millions