

TESTIMONY OF RICHARD SARLES

Before the Council of the District of Columbia's Committee on Economic Development

April 22, 2013

Good Morning, Chairperson Bowser and other members of the Committee on Economic Development. I am Richard Sarles, General Manager and Chief Executive Officer of the Washington Metropolitan Area Transit Authority (WMATA). I appreciate the opportunity to appear before you today to discuss Metro's Fiscal Year 2014 budget request. Appearing with me today to help answer the Committees' questions is Carol Kissal, Deputy General Manager for Administration and Chief Financial Officer, and Jack Requa, Assistant General Manager for Bus Services.

As you know Chairperson Bowser, Metro's FY2014 budget is the culmination of a process that began last year when the Board of Directors approved the FY2013 budget and adopted a multi-year budget planning horizon. The process included multiple reviews of ridership projections and revenue assumptions, pro-forma budget presentations, assimilation of business planning into the budget process, public outreach, application of lessons learned, and the use of the Strategic Plan and strategic planning framework to guide budget development. I want to commend you, Councilmember Bowser, as a member of the Metro Board of Directors for approving the budget one month ahead of last year.

The proposed FY2014 Operating and Capital budgets and multi-year business plans support the Board's recently adopted strategic goals by funding key Business Plan priority actions including:

- Final preparation for and implementation of Silver Line revenue service
- Continuation of Metrorail frequency as defined in the Board-approved Rail Service Standards
- Continued aggressive rehabilitation of the Red, Orange, and Blue Metrorail lines
- Continued implementation of the Bus Priority Corridor Network and State of Good Operations
- Introduction of a new business model to maintain quality MetroAccess services
- Replacement of the oldest buses and railcars

REBUILDING THE FOUNDATION PROGRESS WE HAVE MADE

As I reported last year, Metro is undertaking extensive rebuilding to bring the system back to a state of good repair – Metro Forward, a \$5 billion-dollar, 6-year investment program.

What our customers have experienced over the last few years are the ill-effects of underinvestment. While the region grew, investments in Metro did not. And sadly, the impact of that underinvestment went far beyond an inconvenience to customers, it became a safety concern. We are making huge strides in re-establishing quality service that is reliable and convenient, earning the trust of the riding and non-riding public again.

During the past year, we continued our focus on safety, state of good repair, state of good operations, financial stability and improving customer service.

Safety

The tide is changing from one of dismissiveness and indifference to a full-bodied and embedded safety culture. It is evident from our most recent employee engagement survey, the recent FTA audit, comments from the Tri-State Oversight Committee to a renewed interest from peers around the country looking towards Metro for innovative approaches to safety practices and processes. Before I briefly highlight some of the safety accomplishments of the last year, let me say that this is not the work of one person or just the safety staff but truly a changing of the work culture at every level of the company from mechanics, operators, managers, administration and the executive leadership.

Employee safety training courses and curriculum development have been a vital part of our culture change and I would like to highlight some of our progress this past year. One of them is safety's review of over 1,900 job descriptions that allows managers to see what safety classes may be required for their various position types. We have updated safety training courses and produce a semi-annual safety training catalog. Staff not only teaches classroom training, but in 2012 began conducting "field training" at facilities on all shifts. This past year, staff conducted 213 safety training classes reaching 5,384 employees in topics ranging from CPR/AED to Incident Investigations, Body Mechanics, and OSHA compliance.

Customer injuries dropped 10% to a rate of less than two customer injuries per million passengers. The major causes of customer injuries are slips, trips, and falls. To reduce customers injuries by another 5%, Metro launched a new campaign, "Ride Safe." The campaign graphically depicts unsafe, common behavior with thought-provoking headlines focused on consequences and familiar colors that signal caution. The new safety communications will be displayed throughout rail stations, on trains, and on bus exteriors and interiors and will engage the public through social media.

To address bus passenger injuries, the Safety Department is working in concert with Bus's DriveCam team to identify safety incident hotspots. Once hotspots are identified; staff is deployed to the locations to reinforce safe behavior not only to our passengers and operators, but to also ensure the areas are clear and free of debris or unsafe conditions.

Following lessons learned from the January Green Line incident, the first phase of new rail onboard emergency signage will also be previewed, instructing riders to stay on the train in an emergency. The new sign is printed on glow-in-the-dark material and will be installed on every rail car this spring.

Customer Service

Last month when I appeared before the Committee, I shared information about a new Customer Service Action Plan aimed at improving customer experience across the system. As part of that action plan, we launched a new mobile website to give customers quick access to the most popular features of wmata.com while on the go. The new mobile site is designed for today's smartphones and replaces an earlier version that was launched years ago, prior to touch—screen navigation. We also integrated bus MetroAlerts with NextBus. The upgrade allows customers to see service information about bus delays and detours within the NextBus website.

Other major accomplishments in customer service include:

- Completed customer service training for 1,140 bus operators, all rail supervisors (105) and all station managers (558).
- Initiated a pilot, in collaboration with DDOT and Giant Stores, that will give District students the ability to purchase or renew their 10-trip Metrobus pass at any Giant Food store in the District of Columbia.
- Installed 52 bus shields, 22 more by June.

- Detailed 30 more Transit police officers to bus security.
- Hired 18 additional elevator/escalator technicians to improve preventive maintenance compliance.
- Continued our focus on security and youth behavior. Conducted focus groups and hosted Mayor Gray's Youth Forum to initiate dialogue on public safety and youth behavior on Metro.

Financial Stability

Metro focused on aligning our investment decisions with the Strategic Plan this year. Business plans are now a part of our day-to-day business. They help us link not only the Strategic Plan with our investments, but equally important, they help us align our employees work plans and work efforts with the actions in their unit's Business Plans in support of the strategic plan. This provides alignment between the Board's Strategic Goals and our day-to-day work.

We are moving closer to the integration of our capital investment plans and operating budget through the early identification of total cost of ownership resulting from capital investments. This will become critically important as we refine our estimates of the Board's vision for 2025 and beyond.

Connectivity

In March of this year, Metro launched the "Better Bus" initiative that represents the biggest investment in bus service in five years and includes more limited-stop MetroExtra routes and refinements to 11 existing priority corridors. Overall, more than 150,000 customers – roughly one third of all bus customers – will benefit from more frequent service, additional capacity, or expanded hours of operation on selected routes.

Among the highlights of the initiative:

- New MetroExtra limited-stop service on Martin Luther King, Jr. Avenue with extended service to McPherson Square.
- New Saturday MetroExtra service on Georgia Avenue (Route 79) resulting in combined 70/79 service every 7-8 minutes at stops along the route.
- Additional service on the U Street-Garfield route to relieve crowding.

- Later service on the G12 and G16 routes in Greenbelt.
- Schedule adjustments to help buses stay on schedule.
- New MetroExtra limited-stop service beginning at Ft. Totten and running along New Hampshire Avenue in Maryland.
- Addition of 9 new southbound trips on 16th Street during the morning rush hour.

Silver Line Preparation

The Silver Line is the first opening of a new line since the original design of the system and revenue service will begin in December this year. Preparations are going well and staff:

- Led the coordination and integration of a consolidated rail and bus service plan working with bus carriers in the region.
- Conducted public outreach for the Title VI analysis and commenced overall public outreach that will continue until revenue operations.

Rail Service Standards

In October, Metro's Board of Directors approved and adopted rail service standards to guide staff on how to deploy service, how to plan for the future, inform capital investment and operating resource needs, and provide accountability to the public. The standards address hours of service, train frequency and passengers per car.

STRATEGIC PLAN FOR NEXT YEAR

Let me now provide the Committee an overview of Metro's proposed FY 2014 operating and capital budgets. The proposed FY2014 Operating and Capital budgets totals \$2.7 billion of which \$1.7 billion supports operations, \$113 million is for the reimbursable project budget, and \$959 million funds the capital budget. This \$2.7 billion proposed budget includes all operating, capital and debt service requirements for Metro for the period beginning July 1, 2013 through June 30, 2014.

The proposed budget includes important new initiatives that improve worker and customer safety, increase bus service, make necessary modifications to finalize preparation for the Silver Line service, and introduces three new initiatives with a post return on investment within three

to six years. We are focusing on reducing the growth in our expenses and lowering our cost of providing service.

In addition to the enhanced and improved bus, rail and paratransit services that are provided for in the operating budget, the plan includes new initiatives, including the implementation of a Fatigue Risk Management System, capital investment to plan for future system capacity needs (including 8-car trains and station expansion), and development of a succession plan.

Human Capital Management Plan

We are focused on our most important asset – our workforce –ensuring we have the right staff with the proper certification and training to deliver our programs. An intensive focus on recruitment and hiring to fill 2,100 positions in CY 2012 was needed to maintain stable vacancy rate and staff the following critical initiatives:

- Reduction of fatigue in the workplace
- Investment/ongoing infrastructure maintenance; and
- Commencement of Silver Line revenue operations

To that end, Human Resources (HR) commissioned a study that resulted in a comprehensive HR restructure. The result was the establishment of the Office of Talent Acquisition that consisted of three functional components with direct impact on internal mobility programs and external recruitment:

- Infrastructure & Reporting
- Proactive Sourcing
- Recruitment Operations

Although the Office of Talent Acquisition was not fully implemented until August 2012, the number of positions filled by the end of CY 12 was 1,868 representing 89% of the 2,100 goal.

OVERVIEW OF THE FY 2014 BUDGET

GOAL: Build and maintain a premier safety culture and system

Safety and security are our top priorities. This budget builds on our strong foundation and will enhance our customer and employee safety and security throughout the system.

Key initiatives:

- Additional 32 police officers for the Silver Line
- Proposed performance contract to provide guaranteed energy savings and guaranteed lighting performance for 10 years in passenger parking garages
- Implement Fatigue Risk Management System - \$5.5M

GOAL: Meet or exceed expectations by consistently delivering quality service

Targeted service and strategic capital investments improve the reliability and performance of the system.

Key initiatives:

- Priority Corridor Network (PCN) investment will reduce bus travel times, further increase reliability and improve our customers' comfort and convenience.
- Escalators/Elevators – proposed investment plan includes funding to replace or rehabilitate 158 escalators and 85 elevators over the next six years.
- Paratransit Contract – new business model provides greater control over management of MetroAccess service and includes many start-up and transition activities that will lead to more sustainable paratransit service.

GOAL: Improve regional mobility and connect communities

Revenue service on the Silver Line will begin in December this year and preparations are going well.

Key initiative:

- Expand capacity for 8 car trains
 - \$40 million in the six year period to continue upgrade in power infrastructure.
 - Includes \$54 million down payment necessary to exercise the option to acquire 220 expansion railcars.

GOAL: Ensure financial stability and invest in our people and assets

The investment plan includes funds to replace approximately 100 buses and rehabilitate another 100 each year.

Key initiatives:

- The investment plan includes funds to replace approximately 100 buses and rehabilitate another 100 each year.
- Make strategic, prioritized investments by focusing on track and structure rehabilitation and track circuits.
- Alignment of our Human Capital Plan with our program delivery and planning for the future.

The Capital Budget

Many investments and initiatives will continue with the capital program – obviously, returning the railroad to a state of steady maintenance is critical and essential to insuring continued safe and reliable service. Track circuit replacement, 1000 series car replacements and other NTSB initiatives continue to move at the projected pace and we will continue to invest in these items to insure a safe operating environment. Continuing rebuilding efforts is critical as part of Momentum as the network must be stabilized to a state of good repair and steady state in order to accommodate the projected increases. Maintaining our current infrastructure investment level and, in fact, increasing it in some measures, will be absolutely necessary to continue to support the region's transit requirements.

Because of our success in investing in the infrastructure and getting the transit network closer to a steady state of maintenance - we are able to begin investing in state of good repair initiatives and expansion that will have a customer facing profile. These investments have been responsible for increasing on-time performance and reducing unplanned outages, which do benefit our passengers, but it is also important that we upgrade those environments that are part of their overall traveling experience. Some of the obvious are the new railcars and buses, but we are also going to begin to focus on the station environment as part of our capital initiatives such as:

- Station lighting – upgrading and redesigning.
- Development and installation of the “model station”.

- Improvements to ceiling tiles, entrance ways for tile replacements, better information displays for passengers prior to entering the gate (interactive “walls”), new color schemes.

As we move Momentum forward it is critical that we take advantage of contract efficiencies and the time we have to progress projects. By establishing the six year capital plan we are committing future funds to enable purchase of railcars and construction of expansion facilities to accommodate new buses and railcars. These long term initiatives must be started now in order to achieve our 2025 objectives. This budget represents our commitment to the region, to insure not only a continued safe and reliable service, but also enabling sound expansion choices in the future.

THE FUTURE

We have to plan for the future. Today’s system cannot meet the demand and growth coming to the region.

In developing the draft **2013 Strategic Plan**, we have heard from stakeholders in Virginia, the District and Maryland about regional mobility and improving access to Metro.

- This is an ongoing process and included public meetings earlier this year across the region.
- As we develop a final plan for Board adoption, our analysis includes considerations of regional transit projects that will connect to our system
- **Improve Capacity and Reduce Congestion in the Core**
 - 100% 8-car trains
 - More capacity –platform, mezzanine, elevator, escalator improvements
 - Pedestrian tunnels
 - New train tunnels – core
- **Improve Surface Transit**
 - Priority Corridor Network
 - Integrate Metro and other transit systems

Just as it always has, the momentum to rebuild, sustain, and grow Metro to support the region requires the support of all stakeholders.

Our accomplishments to date, and the ability to continue serving the transportation needs of District residents, would not be possible without the steadfast support of the District of Columbia.

Once again, I want to thank you for the opportunity to be here today. Your leadership and the Council's support of Metro are critical to our continued success. I would be pleased to answer your questions.