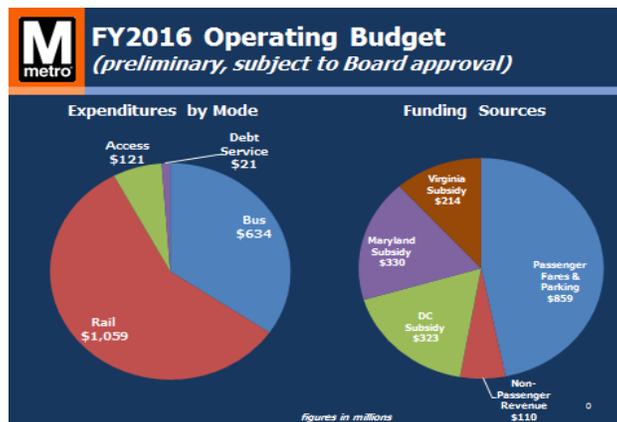


Good Morning Chairman Evans and members of the Committee on Finance and Revenue. I am Jack Requa, Interim General Manager and CEO of the Washington Metropolitan Area Transit Authority (WMATA), commonly referred to as Metro. I appreciate the opportunity to appear before you to provide a brief overview of Metro's proposed Fiscal Year 2016 budget. Seated with me is Blair Fishburn, Metro's Deputy Chief Financial Officer.

I want to thank you and the Council for your continued support of Metro. The District of Columbia has been a leader in supporting Metro's financial needs in support of a safe and reliable ride for our customers.

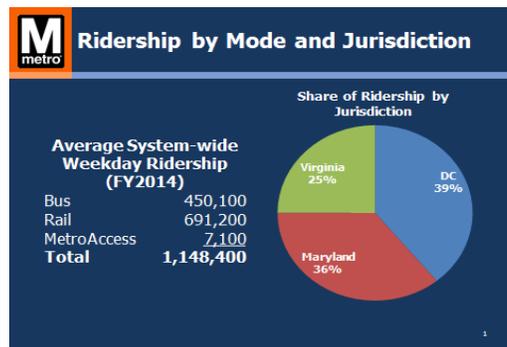
### OPERATING BUDGET

Before providing an overview of WMATA's proposed Fiscal Year 2016 budget, I'd like to take a minute to explain Metro's operating budget and where we get the revenue to keep our trains, buses and paratransit service running every day. The fares paid by Metro riders cover just over half the cost of operating the system. As illustrated by the following chart, Metro receives some additional funding for operations from advertising, joint development and other sources; the remainder comes from the District of Columbia and our other supporting state and local governments.



The proposed operating budget for Fiscal Year 2016 is approximately \$1.8 billion, an increase of less than four percent over the previous year. The proposed budget allocates resources specifically to continuing the ongoing process of financial reform, safety-critical and customer care initiatives.

As you know, Mr. Chairman, in response to feedback from customers, Metro’s Board of Directors made the decision earlier in the budget process to forego any fare increases or service reductions as part of this year’s budget.



While Metrobus ridership is up, and additional revenue is coming in from other sources, declining Metrorail ridership presents a challenge for the proposed FY16 budget. The decline in Metrorail ridership is the result of many factors, including a change in federal tax policy that is making driving to work and parking more affordable than riding transit for some of our customers.

In order to balance the budget without fare hikes or service reductions, Metro has cut costs and the local governments in DC, Maryland and Virginia have pledged to provide the additional funding needed.

We are also considering a few smaller changes that we have brought to the public for their feedback since December, including:

- Increasing the daily parking fee at Minnesota Avenue from \$3.60 to \$4.60, which will bring the parking fee at the station to parity with the other Metro parking facilities in the District, and also extending the weekday hours of collection by one hour in both the morning and evening at all

Metro parking facilities. These actions will generate approximately \$500,000 in additional revenue.

To tighten the budget further, management has identified over \$10 million in administrative cost saving actions, including the elimination of 50 non-safety sensitive positions; reductions in consultant services and travel; reductions in materials and supplies, including printing and subscriptions; and opportunities for lower fuel and propulsion usage. Metro is also deferring (but not eliminating) investments in bus Priority Corridor Networks and State of Good Operations (PCN/SOGO), as well as expansion of bus vehicle and rail station cleanliness efforts.

### **Financial Reform**

Among the top priorities of the FY2016 budget is the continuation of our financial reform efforts. WMATA now has a strong, experienced financial management team in place led by a new Chief Financial Officer, Deputy Chief Financial Officer, Treasurer, and Comptroller. The investments in 2016 will bring continuous improvement in controls and compliance for WMATA. To ensure that the organization complies with the new financial management controls, processes and procedures, a new Internal Control and Compliance office has been established. Accordingly, this office has initiated Financial Management Oversight (FMO) Corrective Action Plan (CAP) self-assessment reviews in the areas of budget controls, cash and grants management, federal financial reporting and procurement and job order contracts. The office work plan includes a total of 18 scheduled reviews through June 30, 2015.

Mr. Chairman, I also want to update you on WMATA's overall financial status and the status of WMATA's Corrective Action Plan (CAP) responses to the Federal Transit Administration's (FTA) Financial

Management Oversight (FMO). Several notable actions have occurred that impact WMATA's overall financial status:

- WMATA's FFY2014 PRIIA grant application for \$148.5 million was awarded by the Federal Transit Administration on April 9th. Since January, we have been awarded PRIIA and formula grants with a total value of \$749 million.
- WMATA committed to address the 65 Corrective Action Plan (CAP) items in response to the FTA's FMO findings and advisory comments. To date, documentation has been submitted for 62 of 65 CAPs. The outstanding CAPs deal with reconciliation and revision of federal grants, which require complex and meticulous work to ensure accuracy – the due date for completing and submitting those CAP's has been extended to June 30, 2015, and WMATA will meet those submission deadlines.

WMATA's financial condition is stable and improving, as we continue to work closely with the Federal Transit Administration to overhaul our grants management program. We have made significant progress over the last six months and federal reimbursements to WMATA have accelerated.

## **WMATA LIABILITIES FOR PENSIONS AND BENEFITS**

### **Pensions**

WMATA has five separate pension plans for its represented and non-represented employees. While WMATA's annual pension expense has grown in recent years, total required pension contributions are projected to decline after FY16 due to negotiated cost sharing with Local 689 and Local 922. Combined, the total actuarial accrued liability for the five plans is \$4.2 billion, with \$1.1 billion currently unfunded.

## **Other Post-Employment Benefits (OPEB)**

WMATA's annual Other Post-Employment Benefits (OPEB) expenses and outstanding liabilities reflect costs for retiree medical, prescription drugs, and life insurance. WMATA is obligated to provide these benefits to non-represented, Fraternal Order of Police (FOP) and L689 retirees as well as other represented retirees hired on or before January 2010 and January 2012.

Only Local 922's collective bargaining agreement requires, WMATA to make fixed pay-as-you-go contributions to its Employer Health Trust.

In FY14, WMATA's Board adopted a strategy to pre-fund OPEB expenses over time through an irrevocable trust. The Board's original goal established a 10-year funding commitment starting with \$5 million the first year, with an additional \$5 million each succeeding year for 10 years. In FY15, WMATA created the irrevocable trust for OPEB with an initial deposit of \$4 million. The FY16 proposed budget includes \$11 million for OPEB (\$1 million of which represents a "make-up" contribution for the first year shortfall).

## **Safety**

Let me now turn to Safety. As you know, safety continues to be Metro's number one priority, both for our customers and own employees. Over the last four years, to date, Metro has closed 25 National Transportation Safety Board (NTSB) recommendations. We are now actively working on seven, including three recent recommendations issued immediately following the Yellow line incident in January.

With respect to that incident, as the NTSB continues its review, we are not waiting to take action. Metro has identified and begun to implement 14 early safety actions such as the installation of new signage on

the outside of railcars to identify emergency doors and releases for first responders; giving independent authority to train operators to operate the air intake system; and creating an enhanced schedule for full-scale emergency drills.

As you know, last week we announced the most recent four actions that we are taking:

- Initiating a multiyear maintenance program to replace or rehabilitate all 88,044 lights in Metro tunnels beginning next month;
- Creating a dedicated maintenance crew to continuously clear tunnel passage ways of debris, equipment or other potential obstructions across Metro's 100 miles of tunnel segments
- Beginning this summer, review protocols of the alarms in the Rail Operations Control Center (ROCC) with the goal of separating critical alarms from non-critical notifications; and
- Establishing a quality audit process for ventilation system testing to ensure compliance with established maintenance and testing practices.

The NTSB issued three early recommendations to Metro and the entire industry, concerning training and inspection of tunnel ventilation systems. In line with those recommendations, Metro has already conducted a thorough test of our subway tunnel ventilation system and provided familiarization training for all 39 controllers at our Rail Operations Control Center. We are now in the process of developing additional protocols and training associated with the use of tunnel fans that are responsive to the NTSB recommendations.

In FY2016, we will continue to work on closing the remaining five NTSB recommendations, notably the replacement of the 1000 series cars. The first 7000 series train debuted April 14 on the Blue Line, and as more cars come on board we'll begin to retire the oldest railcars.

Implementation of wayside worker warning will also be prioritized, which will provide another level of protection for employees inspecting and maintaining the right-of-way. As part of the broader Fatigue Risk Management initiative, Metro will manage employee fatigue through compliance with the new Hours of Service Policy. Compliance with the new policy has already improved as a result of changes to scheduling practices and hiring in key areas. The FY2016 budget contemplates targeted additional positions for Track and Structures (TRST) to further improve compliance.

### **CAPITAL BUDGET**

Just as we tightened up our operating budget, we have spent time developing a capital budget that is a realistic investment plan that continues our state of good repair rebuilding program, safety improvements including the critical radio project, and provides for the initial funding needed for the proposed 8 car train service.

This investment plan will also help us address safety recommendations from the National Transportation Safety Board, including the replacement of track circuits, power cables and train control software system.

Also responsive to the NTSB recommendation of replacing our 1000 series cars, Metro has ordered 528 of the new railcars, enough to replace all 1000- and 4000-series cars and expand the size of the Metro fleet by 128 cars to support the Silver Line. We are currently working with jurisdictions and the FTA to determine the best and highest use of an additional 220 new rail cars and the funding for the traction power that will be needed to support those cars.

Our capital plan also includes the replacement of buses and MetroAccess vehicles, and rehabilitation of our rail yards and bus facilities. In our stations, customers will see major improvements at 12 Metrorail stations and enhancements at another 12 stations in the next Fiscal Year. We are planning to replace 14 escalators, and repair another 37 escalators and 12 elevators to “like new” condition. In the District, we are replacing escalators at Woodley Park, Georgia Avenue-Petworth, Columbia Heights, Mt. Vernon Square, Van Ness, Deanwood and Brookland. We are also rehabilitating elevators at seven stations in the District.

The capital program is funded through investments from the federal government, state and local governments, and other sources. In support of the FY16 budget we will be submitting our federal grant applications authorized under the Moving Ahead for Progress in the 21<sup>st</sup> Century Act (or MAT-21), the current federal surface transportation funding bill, as well as the Passenger Rail Investment and Improvement Act, or PRIIA.

Again, I want to thank you for the opportunity to be here today and for your ongoing support of Metro. I would be pleased to answer your questions.