

PUBLIC HEARING ON
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY
FISCAL YEAR 2008 BUDGET

Before the
Committee on Public Works and the Environment
Council of the District of Columbia

The Honorable Jim Graham, Chair

April 25, 2007, 10:00 AM
Hearing Room 500
John A. Wilson Building

Testimony of
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Good morning Chairman Graham, members of the Committee, and staff. I am John Catoe, General Manager of the Washington Metropolitan Area Transit Authority (WMATA), and I am here today to discuss our fiscal year (FY) 2008 budget.

I was before this Committee in March to present results of the FY 2006 budget and provide an update on the current FY 2007 budget. As I shared in March, our current FY 2007 budget and the proposed FY 2008 budget will present unique challenges. I want to assure the Committee that we are working very hard to identify spending reductions and operating efficiencies. We have implemented a hiring freeze, reduced contract support efforts and are imposing travel restrictions. However, these steps are only the beginning. The approved FY 2008 budget will include additional spending reductions and organizational improvements. We are confident that these changes will help improve the efficiency and accountability of WMATA.

Mr. Chairman and members of the Committee, we recognize that the issue of a potential fare increase is of the utmost concern to you and your constituents. I would like to convey to the Committee that there will be no fare increase in 2007. As I have publicly stated, I plan to begin a discussion on fare policy in the fall of this year. WMATA would like the Board of Directors to consider linking fares to cost-of-living measures, such as the consumer price index. With such a system, fares would rise at regular intervals instead of big jumps every few years. Furthermore, linking fares to an economic index makes fare increases transparent, predictable and easily understandable. We will work closely with the Council of the District of Columbia, our customers and the entire region to ensure that we come to the best possible solution when a future fare increase is necessary.

I would also like to assure the Committee that the FY 2008 budget will not include service cuts. As you may recall, WMATA's original proposed FY 2008 budget included bus and rail service reductions. After working with the WMATA Board of Directors, our customers, and the region, we determined that it was not appropriate to reduce service

at this time. In fact, even in the face of current budget challenges, we are working with our compact jurisdictions to improve and enhance transit services in the region. As I mentioned to this Committee in March, we are working closely with the District on three very significant projects: the Downtown Circulator bus service, Georgia Avenue rapid bus service (MetroExtra), and the extension of Yellow Line Metrorail service during off-peak hours from the Mt. Vernon Square/Convention Center Station to Fort Totten. Each of these three projects increases transit options for residents, workers and visitors of the District of Columbia.

With that, I would like to share with you highlights of WMATA's proposed FY 2008 budget.

Operating Budget

WMATA brought its original proposed FY 2008 operating budget to the Board of Directors in December, 2006. However, since that time, we have been finalizing a new budget proposal that we expect to become public on May 10, 2007. As I stated, the new operating budget will not include a fare increase in 2007 or service cuts. Furthermore, we will not request additional funding from the jurisdictions.

State and Local Support

The District of Columbia's share of the proposed FY 2008 operating budget is anticipated to be \$201.6 million. The District's share of the operating budget includes \$10.3 million for debt service.

The total proposed state and local support for the FY 2008 operating budget is anticipated to be \$527.3 million. Therefore, the District's share represents 38 percent of the total state/local support.

Options for Consideration

Due to WMATA's decision not to raise fares in 2007, nor to cut service, nor to request additional funding from the jurisdictions, further action is necessary to balance the FY 2008 budget. On April 12, 2007, WMATA staff provided to the Board of Directors several options for consideration.

1. Organizational Restructuring: WMATA is restructuring its organization to meet future needs. Our focus is on operations and delivering service to customers. We are no longer building a transit system, so we can shift those resources to operations and maintenance.
2. Deferred Revenue: The monies that WMATA receives from the sale of fare cards, Metrocheks, or SmarTrip cards, cannot be included in the budget until we deliver the service. Some of the fare media will never be used. Currently, WMATA budgets 3 percent of passenger sales as unused fare media. WMATA staff has proposed increasing the amount to 5 percent with the FY 2008 budget, an action that would increase recognized passenger revenue.
3. One-time revenue source: Following approval from the Federal Transit Administration, WMATA will be able to use proceeds from litigation in the FY 2008 budget.

Capital Budget

The proposed FY 2008 WMATA capital budget totals over \$0.7 billion and is linked to six major areas:

1. Infrastructure Renewal Program (\$280 million): maintains, rehabilitates and replaces WMATA's infrastructure, trains and buses.

2. Debt Service/Financing (\$206 million): includes financing associated with a federal loan guarantee that WMATA is in the process of retiring.
3. Eight-Car Trains (\$182 million): will allow Metrorail to add 184 new rail cars and have fifty percent of its peak hour trains operating in an eight-car configuration by December 2008.
4. Bus Improvements (\$48 million): includes procurement of new buses and construction of a new bus storage and maintenance facility in Virginia.
5. Program Management (\$15 million): capital program professional management support and financial fees for financing activities.
6. Jurisdictional Sponsored Projects (\$3 million): includes planning and development funds for capital projects sponsored by local jurisdictions.

Managing the Capital Budget

Capital budget oversight is extremely important to WMATA. In September 2006, WMATA presented a framework for managing the capital improvement program to its Board of Directors. The newly established internal Capital Program Advisory Committee will provide guidance to staff during the development of the annual capital budget. The goal of the program is: to meet critical safety needs and all legal mandates; to keep existing customers by improving reliability and service; to develop projects to attract and accommodate new customers; and to reinvest in infrastructure in order to reduce future costs.

State and Local Support

The District of Columbia's commitment to the proposed FY 2008 WMATA capital budget totals \$61.5 million. This amount is consistent with the Metro Matters agreement signed by the District of Columbia, Maryland and Virginia.

The total proposed state and local support for the FY 2008 capital budget is \$167.9 million. Therefore, the District's share represents 37 percent of the total state/local support.

CONCLUSION

FY 2008 is not an easy budget year for WMATA. We are working with the Board of Directors and the region to determine the best possible solution. Although we will need to make difficult decisions when finalizing the budget, we are pleased that fares will not be raised in 2007 and that service will not be cut. Our customer focus demands that we provide safe, reliable and cost-effective transit service.

Looking to the future, WMATA would like to improve the stability of its budget process. WMATA is continuing to work toward dedicated funding from the jurisdictions. The District of Columbia is a leader in this effort, as the first jurisdiction to enact dedicated funding legislation. We appreciate the District's actions and look forward to continuing our work with the region on this important issue.

Mr. Chairman, I will stop here and answer any questions that the Committee has, and once again I thank you for the opportunity to present this testimony.