

PUBLIC HEARING ON
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY
FISCAL YEAR 2009 BUDGET

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

The Honorable Jim Graham, Chair

April 18, 2008, 10:00 AM
Hearing Room 412
John A. Wilson Building

Testimony of
John B. Catoe, General Manager
Washington Metropolitan Area Transit Authority

Good afternoon Chairman Graham, members of the Committee, and staff. I am John Catoe, General Manager of the Washington Metropolitan Area Transit Authority (Metro), and my staff and I are here today to discuss our fiscal year (FY) 2009 budget.

I was before this Committee in March to present results of the FY 2007 budget and provide an update on the current FY 2008 budget. We have a little more than two months remaining in the current FY 2008 year. The dominant service-related issue right now is, of course, the new Nationals Ballpark. The newly expanded west entrance to our Navy Yard station opened on March 28. I want to thank Mr. Graham, Mr. Barry and Chairman Gray for attending this event and the entire Council of the District of Columbia for your continued support on this important project. Everyone is very excited about the new ballpark, and Metro will continue to serve as an important partner in transporting fans on game day, as well as in helping to spur development in the area.

Metro is also very excited about the incredible changes that are occurring in Columbia Heights. As Mr. Graham knows, the rapid development near Columbia Heights has helped grow the Metrorail station's ridership. In the past year, average weekday ridership at the station has grown by over 16 percent. We anticipate that the development around the station will continue to expand ridership, and Metro is thrilled to be a part of the transformation in Columbia Heights.

As I mentioned when I was before this Committee in March, we continue to work 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 Mt. Vernon Square/Convention Center to Fort Totten. Recently, we added new off-peak weekday service on MetroExtra, improving an already popular route. We have also recently increased service to ten minute headways—seven days per week—on the Metrobus N22 route operating between Union Station and the Navy Yard Metrorail Station. The expanded N22 service provides one of several transit options for fans traveling to and from Nationals games.

As we look ahead to FY 2009, Metro anticipates continued expansion of transit service options in the District. Three examples of this expanded service are:

1. Restructuring the 30s routes serving Pennsylvania and Wisconsin Avenues. The 30s Line has the highest ridership of any Metrobus line—at almost 20,000 daily riders—and is an important link between Southeast and Northwest D.C. Metro is proposing to alter the routes and service based on the outcome of a six-month study with extensive public input.
2. Exploring service improvements along the 16th Street corridor (Routes S1, S2, S4). Metro plans to use a process similar to that for the 30s routes study.
3. Studying service improvements for Metrobus routes D1, D3, and D6 (Sibley Hospital to Stadium Armory).

Metro is not only focused on improving service options in the District, but also on improving service throughout the entire system. As you know, Metro made a decision to raise fares in the beginning of 2008. Due to economic pressures—such as a sharp increase in fuel and electricity costs—Metro faced the prospect of a very large deficit in FY 2009. Without a fare increase to help address this deficit, we would have been forced to consider cutting service. Eliminating service does not align with our mission to “provide the nation’s best transit service to our customers and improve the quality of life in the Washington Metropolitan region.” Throughout a series of public hearings, we heard the message loud and clear—if we’re going to raise fares, we need to improve service.

The FY 2009 budget includes \$19 million in service improvements spread across rail, bus, and paratransit. The budget sets aside money to improve on-time performance of buses, increase rail service by expanding the use of eight-car trains, continue maintenance of the rail system and escalators, and provide door-to-door service to MetroAccess customers.

In addition to having a focus on reliability and service, the FY 2009 budget is about safety. We plan to hold more pedestrian safety outreach programs and hope to participate in a Federal Transit Administration track walker safety protection program. The FY 2009 budget includes funds for the ongoing replacement of dry standpipes—large water pipes in our rail system that fire fighters use in the event of a fire. As you know, Metro is focused on safety, and in the upcoming fiscal year we plan to improve reporting of safety, increase customer safety awareness, and take a leadership role in regional safety initiatives.

Mr. Chairman, if I may take a moment, I would briefly like to address crime throughout the Metro system. You may have read in the newspaper recently that crime has risen in our system. I want to assure the Committee that we are doing everything possible to address this issue. In the short-term, we are redeploying 20 officers to address the current problems. However, for the long-term, it is vital that we get more officers on the street to handle calls for service.

We are also attempting to fill specialized police positions, but this has not been an easy task. As you may know, due to stringent training requirements resulting from our tri-state jurisdiction, it takes almost a year from the time that an officer is hired until that officer is fully qualified to go on patrol. We filled five detective vacancies in 2007 and filled two more on March 29 of this year. We recently added five officers to the Metrobus Enforcement Division, and we have instituted a detail consisting of nine officers and a sergeant to combat parking lot crime. Furthermore, Metro is hoping to add 25 transit police officers and 3 officers in FY 2009. These officers would primarily perform undercover operations and work special events. Metro takes safety very seriously, and we will continue working hard to ensure the safety of our customers.

Before we move on to the specifics of the FY 2009 budget, I would like to bring an important issue to the Committee's attention. As you might be aware, we have an issue with parking enforcement in bus zones in the District. We have had problems with cars illegally parked in front of bus stops. Not only does this make it very difficult for our bus operators to do their job, it often presents difficulties for our passengers to board our buses, particularly if they are elderly or disabled. In some cases, the inability of our buses to pull up to a bus stop can pose serious safety issues. Metro is interested in exploring ways to improve parking enforcement near bus stops. We haven't yet developed a proposal on the matter, but would like the Committee to know that we are interested in working with you to reach a reasonable and effective solution.

Mr. Chairman, I would now like to switch gears to a more detailed discussion of the FY 2009 budget. Chuck Woodruff, our Chief Financial Officer, will provide a PowerPoint presentation on the topic. After the presentation from Mr. Woodruff, we will be happy to answer any questions the Committee might have, and I thank you for the opportunity to appear before you today.



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Part 1. **Proposed Operating Budget**

FY2009 Revenue, Expense, Subsidy

Part 2. **Capital Budget Update**

FY2005 – 2010 “Metro Matters” Capital Budget





FY2009 Operating Budget

Budget Categories: Revenue Expense Subsidy

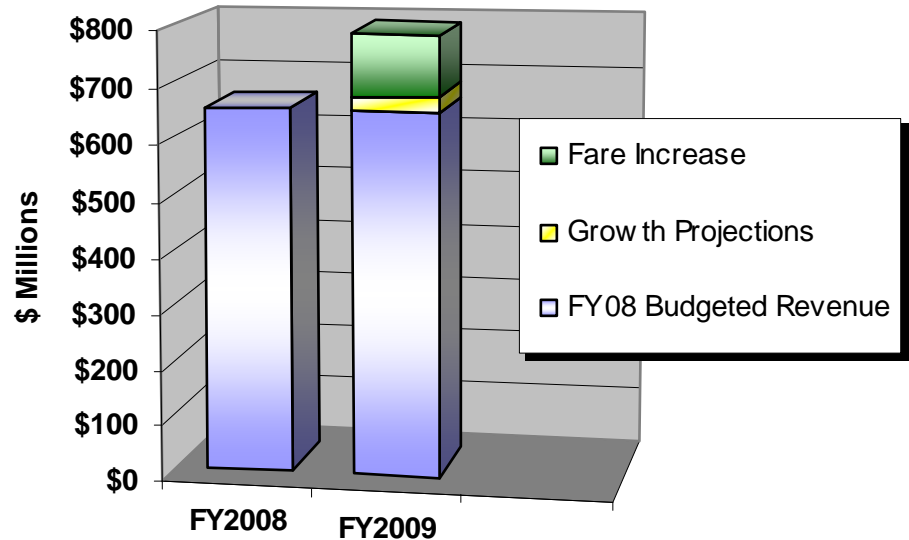
FY2008 Revenue..... \$655

	Fare Increase	Growth	
Rail Fares	\$91	\$21	\$112
Bus Fares	\$1	\$1	\$2
Parking	\$17		\$17
Advertising		\$1	\$1
Other		\$2	\$2
	\$109	\$25	\$134

FY2009 Revenue..... \$789

- \$36 million of the fare increase is collected during FY08 and held over
- \$73 million is the recurring annual revenue increase

Total Revenue



\$ Millions

Totals may not add due to rounding



FY2009 Operating Budget

Budget Categories: Revenue Expense Subsidy

FY2008 Expense.....	\$1,158
Expense Increases	\$148
<u>Metrorail:</u>	
8-car trains in peak	\$7
6-car trains in off peak	\$5
<u>Metrobus:</u>	
Schedule adjustments	\$3
<u>MetroAccess:</u>	
Service Improvements	\$4
	<hr/>
	\$167
FY2009 Expense.....	\$1,325

\$ Millions

Totals may not add due to rounding



FY2009 Operating Budget

Budget Categories: Revenue Expense Subsidy

FY08 Operating Subsidy.....	\$500	
<u>Reimbursable Route:</u>		<u>Re-categorized as:</u>
Crofton-New Carrollton	\$0.3	<i>Non-Regional Bus Route</i>
SE Shuttle Bus	\$0.3	<i>Non-Regional Bus Route</i>
Indian Head Express	\$1	<i>Non-Regional Bus Route</i>
Greenbelt-BWI	\$1	<i>Non-Regional Bus Route</i>
Springfield Shuttle	\$1	<i>Non-Regional Bus Route</i>

Budget distinction between "reimbursable" and "non-regional" has expired

FY08 Budgeted Subsidy \$503

FY09 Proposed Subsidy \$536

Subsidy Increase \$33 6.5%

\$ Millions

Totals may not add due to rounding



Budget Categories: Revenue Expense Subsidy

- This bus and rail service is excluded from the operating budget
- Each service is 100% subsidized by a sponsoring jurisdiction
- All can be categorized as “regional” service and funded as such:

Red Line Turnbacks	MD	\$2
Yellow Line Extension	DC	\$3
Georgia Avenue Rapid Bus (Rt 79)	DC	\$1
College Park – Bethesda Bus (B 31)	MD	\$1

		\$7

Board options:

- Adopt these services into the budget with regional funding
- Continue these as exceptions to Board policies on regional funding
- Discontinue the service

\$ Millions

Totals may not add due to rounding



Management Actions . . .

To control costs / increase revenue:

- o Eliminated 254 positions through reorganizations
- o Reduce use of consultants
- o Eliminate cell phones
- o Restrictions in business travel, reduce marketing
- o 5% across-the-board cut to non-personnel costs
- o Performance engineering
- o Additional advertising revenue
- o Online surplus sales
- o Diesel swaps and CNG tax rebates
- o Clean renewable energy
- o New procurement cards

\$63 million in cost cuts and revenue increases



The Challenges . . .

- Growing talk of economic recession, visible already in some sectors: real estate, banking, heavy industry
- Energy prices show no upside limits:
 - Diesel fuel \$2.70 per gallon, \$34 million in FY09
 - Compressed natural gas \$1.31 per therm, \$6 million
 - Electricity (train power) \$0.10 per kwhr, \$56 million
 - Heat/Light/Power for buildings, \$39 million
- Inflation on health insurance is moderating but offset by changes in accounting standards for retiree health - WMATA will follow how local jurisdictions proceed
- Accident claims reserve fund balance is recovering but accident claims from prior years are nearing payout



Agency Focus:



- Safety Improvements
 - Continue reducing accidents and injuries by 50 percent over a five year period
 - Partner with FTA to pilot safety initiatives
 - Continue employee and customer outreach
 - Develop safer business practices, return to work programs and work site safety teams



Agency Focus:



- Metrobus Service Improvements
 - Adjust schedules to improve on-time performance
 - New garages:
 - Southeastern Garage Closure
Increased operating cost paid from sale proceeds
 - West Ox Opening at mid-year FY09
Arlington Garage Closes



Agency Focus:



- Metrorail Service Improvements
 - On schedule to run 50% of peak period trains with 8 cars by Spring 2009
 - Operate 6-car trains during off peak until 8 PM
 - Continue multi-year plan to shift escalator maintenance back to in-house staff who have graduated from the training academy (Reduces CIP contractor cost)



Agency Focus:

- MetroAccess Improvements
 - Implement door-to-door service
 - Expand fleet to improve on-time performance, meet demand
 - Increase call center and contract monitoring staffing – prompt phone response, complaint resolution and higher quality service
 - Streamline eligibility certification
 - Expand customer outreach and travel training to encourage customers to use fixed-route system
 - Cashless fare initiative enables pre-payment for MetroAccess and allows drivers to concentrate on safety-related duties





Other Budgetary Issues:

- New government regulations on accounting
 - Other post-employment benefits must be recognized
 - WMATA following lead of local jurisdictions
- Economic downturn is constraining local government budgets
 - Real estate market is at a near standstill
 - Financial markets are facing uncertainty
 - Consumer spending is declining
 - Energy prices are increasing



Operating Budget Recap:

- Subsidy increase was proposed as planned: \$33M
- Service expansion and improvements are budgeted
- Fare increase has been implemented
 - Staff is monitoring and will analyze changes in customer behavior
 - Watching for revenue yields to be as predicted
 - Updates will be presented as information is available
- FY09 Operating Budget is built with agency focus on improving safety and service to customers

Capital Budget



Capital Budget Highlights :

- A. Metro Matters Agreement Signed by local jurisdictions to fund Metro's capital program for FY2005-FY2010

Half way through \$2.7 billion Metro Matters program

- B. Interim capital program to further increase reliability has been developed

Funding options are under review

- C. Next Capital Improvement Program (CIP) is being developed

For FY2010 and beyond

To include all capital needs

Will be presented mid-calendar 2008, for adoption by FY2011



Metro Matters Update:



- Three main program outcomes:
 - A. Catch up on deferred maintenance of the 89.5 mile rail system and improve the bus system by significantly reducing fleet age
 - B. Expand rail capability to run half of peak period trains with 8 cars, expand yards and upgrade systems
 - C. Expand bus service capabilities and supporting maintenance facilities
- Current year (FY2008) is mid-point of the program
- FY2009 – FY2010 ramp down to closeout level expenditures



Metro Matters Half Time Report – Financials:

- Program finances are being managed within funding constraints
- Federal formula grants are slightly better than planned
- However, federal funding for rail cars fell short of assumptions
MM Budget = \$260M Actual federal funding = \$104M
- Jurisdictional contributions have occurred exactly as planned
- Long term debt has been avoided to date
Debt issuance was assumed in first year of the program
- Metro issued short-term commercial paper when cash ran low



Metro Matters Half Time Report – Financials:

- Metro Matters agreement originally forecast \$611M debt issuance, to be repaid with local jurisdiction funding
- And allowed for shortfalls in federal discretionary rail cars funding to be added to long term debt
- Potential of \$611 + \$156M = \$767M in debt
- Local governments can opt-out of debt service payments with up front cash contribution
- Briefing meetings have been conducted with regional CFOs
- Current estimates indicate bond issuance will be less than \$757M



Metro Matters Half Time Report – Projects:

- There is no-risk of Metro Matters going over budget
Financial controls prohibit such a result
- However, program not likely to bring all projects to full completion by FY2010 – deferrals to the next CIP may result
- Reasons include dramatically higher capital inflation
e.g. Unit cost of 1 bus has grown from \$300k to \$500k
- All projects now well into execution phase, after some slow starts
- Long lead time contracts have been committed
- FY09-10 focus will begin a shift to completion and closeout



Metro Matters Half Time Report – Projects:

- Significant Accomplishments:
 - 8-car train initiative is on-schedule - 50% eight car trains by Spring 2009
 - Bus fleet average age has improved greatly (7 years, down from 10)
 - We have made great progress with regard to deferred maintenance, e.g., escalator re-builds, power systems work, rail yard construction; however, additional maintenance needs are growing
- Coming Challenge:
 - Without large, additional capital resources beyond FY2010 the ground gained by Metro Matters will be lost

**Securing additional capital funding is not optional
It is a requirement**



Interim Capital Budget Proposal FY08-10:

Background

- Next CIP won't begin until FY2011 (after Metro Matters)
- There is an immediate need to fund reliability improvement projects to be executed FY08-FY09-FY10

Interim Capital Proposal

- A proposal has been made for an interim capital program to begin work immediately on highest priority needs
- Funding options are being reviewed



Next Capital Improvement Program: Capital Budgeting in FY2011 and Beyond

- Work is already underway to define WMATA's capital needs beyond FY2010
- System assessments are being completed
Current state of the assets are being compiled
Project managers are being asked to define their needs
- "State-of-Good-Repair" is the benchmark for all assessments
- Intent is to document the full scope of what is required to maintain Metro
- Expansion opportunities are also being cataloged



FY2009 Capital Budget

Capital Budget Recap:



- New interim capital budget proposal is being finalized
- Local contributions to Metro Matters are exactly on budget
- Debt issuance remains a possibility, with opt-out decisions

Appendix



FY2009 Jurisdiction Contributions (dollars in millions)

FY09 Total Budget					
	Operating Budget	Debt Service	Metro Matters	Reimbursable Projects	Total Local Share
District of Columbia	\$204 38%	\$10 38%	\$65 37%	\$11 73%	\$290 38%
Montgomery County	\$91	\$5	\$30	\$2	\$128
Prince George's County	\$116	\$5	\$34	\$2	\$157
Maryland	\$207 39%	\$10 36%	\$64 36%	\$3 21%	\$284 37%
City of Alexandria	\$20	\$1	\$8	\$0	\$29
Arlington County	\$34	\$3	\$16	\$0	\$53
City of Fairfax	\$1		\$0		\$1
Fairfax County	\$70	\$3	\$25	\$0	\$98
Falls Church	\$2		\$1	\$0	\$2
Virginia	\$127 24%	\$7 27%	\$49 27%	\$1 6%	\$184 24%
Total	\$537 100%	\$27 100%	\$179 100%	\$15 100%	\$758 100%

Operating Budget by Mode				
	Metro rail	Metro bus	Metro Access	
District of Columbia	\$204 38%	\$41 33%	\$149 43%	\$14 21%
Montgomery County	\$91	\$25	\$50	\$16
Prince George's County	\$116	\$22	\$69	\$26
Maryland	\$207 39%	\$48 38%	\$118 34%	\$42 65%
City of Alexandria	\$20	\$6	\$14	\$1
Arlington County	\$34	\$11	\$22	\$1
City of Fairfax	\$1	\$0	\$1	\$0
Fairfax County	\$70	\$18	\$45	\$8
Falls Church	\$2	\$0	\$1	\$0
Virginia	\$127 24%	\$35 28%	\$82 23%	\$9 14%
Total	\$537 100%	\$124 100%	\$349 100%	\$64 100%