Finance Committee

Action Item IV-A

May 12, 2016

FY2016 Third Quarter Financial Update

Washington Metropolitan Area Transit Authority

Board Action/Information Summary

○ Action ◉ Information	MEAD Number: 201742	Resolution: ○ Yes ◉ No

TITLE:

FY2016 Third Quarter Financial Update

PRESENTATION SUMMARY:

Staff will provide the Committee with an update on FY2016 operating and capital budget results through the third quarter (March 2016).

PURPOSE:

To inform the Finance Committee on the ridership, revenue, and operating expenses through the third quarter of FY2016, as well as the status, delivery rates and success of the capital program during the same period.

DESCRIPTION:

Key Highlights:

- Through the third quarter of FY2016, Metro has achieved a positive net operating position of $31.5 million (comprised of a gross operating position of $54.6 million less $23 million of planned preventive maintenance expenses transferred to the capital budget). Operating expenses for the first three quarters of FY2016 were $1,267.2 million, or $95.8 million below budget, while operating revenues were $650.1 million, or $41.2 million below budget.
- Metro has delivered $667 million of CIP investment through the first three quarters of FY2016, or 55 percent of the total annual CIP budget. This is a significant improvement over FY2015 when only 40 percent of the capital budget was expended through three quarters.

Background and History:

Metro's $1.8 billion FY2016 operating budget provides for the personnel, materials and supplies, fuel and propulsion power, and services to operate Metrobus, Metrorail, and MetroAccess. Metro also continues to invest aggressively in its capital program to rebuild the transit system over the next six years to provide safer and more reliable service. Between FY2016 and FY2021, a total capital investment of approximately $6 billion is planned.

Discussion:

OPERATING BUDGET SUMMARY

Through the third quarter of FY2016, Metro has achieved a positive net operating position of $31.5 million (a gross operating position of $54.6 million less $23 million of planned preventive maintenance expenses transferred to the capital budget). Operating expenses for the first three quarters of FY2016 were $1,267.2 million, or $95.8 million below budget, while operating revenues were $650.1 million, or $41.2 million below budget.

The year-to-date favorability in operating expense is the result of savings in Salary/Wages, Services, and Fuel & Utilities. Lower operating expenses are the result of stricter control of non-essential expenses, as well as favorable fuel rates and decreased electricity utilization. Non-safety sensitive vacant positions are frozen and will be evaluated for elimination. Year-to-date, $29.8 million of eligible wage expenses for preventive maintenance (PM) activities have been transferred from the operating budget to the capital budget to be funded with FTA grants. This is ahead of the (straight-line) PM budget amount of $23 million for the same period, resulting in a temporary additional positive variance of $6.8 million.

Operating revenues are unfavorable to budget primarily due to decreased ridership and fare revenue on rail and bus. Metro is focused on improving system safety and increasing service reliability, in order to rebuild rider trust and encourage ridership.

There were two significant events during the third quarter that impacted Metro's operating budget:

- The first event was the 'Jonas' blizzard in January, which resulted in full closure of Metrorail, Metrobus and MetroAccess for two days, very limited rail service on a third day, and modified operating schedules in the following days. The negative financial impact from the storm is estimated at $14.0 million, consisting of an estimated revenue loss of $6.9 million in passenger fares and parking fees, as well as additional operating expenses of $7.1 million. These expenses included overtime for snow clearing and maintenance, snow removal services, supplies of salt and de-icer, and boarding of essential staff. Metro is working with the appropriate administrations to request support for disaster relief from FEMA.
- The second event was the March cable fire incident at McPherson Square station. In response to this event, the GM/CEO ordered a complete one-day closure of the Metrorail system on March 16 while emergency safety inspections were completed. Passenger revenue loss from the closure is estimated at approximately $2 million, while operating costs for overtime were approximately $500,000.

<u>Ridership and Revenue</u>

Total transit ridership through the third quarter on all modes was 240 million trips, a decrease of 12 million or 4.8 percent compared to last year. Ridership is below budgeted trips more sharply, by 20 million or 7.7 percent. Ridership and revenue remained below budget each month from August through March.

As a result, total revenue (including both fare and non-fare sources) has been below budget each month of FY2016 except December, when one-time items led to an above-budget performance. Consequently, revenue is six percent below budget through the end of the third quarter and continues to trail FY2015 revenue by approximately one percent. The cumulative negative revenue variance through March is $41 million.

Metrorail

For the third quarter in a row, ridership remained at levels not seen in over ten years. On a year-to-date basis, average weekday ridership was down four percent compared to FY2015, and weekend ridership was down nine percent (which represents an improvement of three percentage points over last quarter).

Performance by month for Metrorail for the third quarter included the following:

- *January:* Due to the snowstorm, Metrorail service was suspended for two days and heavily impacted for two more. Overall ridership was down 2.4 million trips (16 percent) versus the previous January and was 21 percent under budget. Excluding the snowstorm, average weekday ridership was down less than one percent versus prior year.
- *February:* Due to an extra weekday on this year's calendar, ridership was up slightly versus FY2015, though average weekday and weekend ridership remained below budget.
- *March:* On March 16, rail service was completely suspended in order to perform emergency inspections and repairs on third rail power cables. This one-day loss was mitigated, however, by early arrival of the cherry blossoms, which boosted ridership at the end of the month such that the total for March was only marginally below last year (down 0.5 percent).

Parking utilization continued to rebound with year-over-year utilization improving each month from October through February, excluding blizzard-impacted January. The four-day storm disruption reduced utilization seven percentage points in January versus FY2015 and resulted in revenue 21 percent below budget. However, parking utilization was up again in February (by five percentage points versus FY2015), and up three percentage points in March. Through the third quarter, overall parking utilization reflects a decline of one percentage point (74 percent versus 75 percent) compared to FY2015. In Virginia, customers have continued to migrate to the Silver Line from stations at the western end of the Orange Line. The final three Orange Line stations (West Falls Church, Dunn Loring, Vienna) have experienced significant parking utilization declines in the first nine months of the fiscal year, while Wiehle and East Falls Church have shown sharp increases.

Metrobus

Bus ridership declined in the first nine months of FY2016 by three percent compared to last year.
Specific performance by month for Metrobus for the third quarter included the following:

- *January:* Ridership fell 19 percent versus the prior year due to the blizzard, or one percent excluding the days of the storm. Bus was impacted proportionately more than rail due to service restrictions from icy road conditions, therefore bus ridership never fully recovered after the storm over the last week of the month.
- *February:* While ridership was five percent higher than in FY2015, last year's total was unusually low due to cold weather, and February 2016 also had an extra weekday. Ridership continued to run under budget, however, by eight percent for the month. Weekday ridership averaged approximately 450,000 in February of

FY2012-2014, but was only 415,000 this year. Saturdays in February continued a 17-month streak of ridership decline, while Sunday ridership showed a four percent improvement in the month versus last year. Ridership on Maryland's bus corridors was down across the board, while Virginia's grew and DC's were mixed.

- *March:* Thanks to the early appearance of the Cherry Blossoms and an additional weekday, total ridership was up two percent versus last year, while average weekday ridership was down three percent and average weekend ridership was down five percent. Metroway ridership continued to show impressive gains, following 28 percent growth in February with over 16 percent in March. Bus ridership on March 16, the day of the rail system shutdown, was 22,000 higher (five percent) than the average of the other Wednesdays in March.

MetroAccess

Ridership on MetroAccess continues to trend lower than forecast. Total ridership of 1.48 million through March reflects marginal growth over FY2015, but is below projected growth by four percent. This reflects in part the implementation of the TransportDC taxi alternative program, which is now carrying upwards of 10,000 District resident trips per month.

<u>Operating Expenses</u>

FY2016 year-to-date operating expenses are favorable to budget by $95.8 million or 7.0 percent, and expenses were $19.5 million less than the same period in FY2015.

Labor

FY2016 year-to-date personnel expenses (including Salary/Wages, Overtime, and Fringe) of $944.3 million are favorable to budget by $56.5 million or 5.6 percent. Compared to the prior year, labor expenses are $2.0 million higher, primarily due to overtime costs for snow.

Salary/Wage expenses of $582.0 million were favorable to budget by $36.0 million or 5.8 percent. Metro's vacancy rate is currently 6.6 percent, with active recruitment underway for key positions in multiple departments, including Transit Police, Track and Structures, and System Maintenance. As noted above, certain wage and fringe expenses related to eligible preventive maintenance (PM) activities totaling $29.8 million have been transferred to the capital budget ($9.3 million for bus and $20.5 million for rail).

Year-to-date overtime expenses of $61.2 million are over budget by $2.2 million or 3.7 percent. This is primarily due to the overtime expenses incurred in response to the January blizzard, which totaled $4.9 million including fringe benefits. In addition, $0.5 million of overtime and fringe was necessary to support the emergency inspections and repairs during the rail shutdown on March 16. Adjusting for these two events, overtime costs have continued to decrease each month.

Fringe benefit expenses through the third quarter were $22.7 million below budget, and this trend is expected to continue during the end of the fiscal year. The planned FY2016 contribution for other post-employment benefits (OPEB), with a year-to-date budget of $6.8 million, has no expenditures through March because the establishment of the OPEB Trust was not approved by the Board of Directors. In addition, the obligation to hold a 20 percent expense contingency for the Claims Liability Fund was met as of

December FY2016. The reserve obligation is less than budgeted, resulting in a $6.7 million favorability as of March. Finally, fringe benefits are favorable due to lower pension contribution requirements and reduced spending for the 689 Health Trust. FICA and other fringe expenses are below budget by $3.7 million due to vacancies.

Non-Labor

Through third quarter of FY2016, non-personnel expenses of $322.9 million were below budget by $39.3 million or 10.8 percent.

Services are favorable to budget by $19.5 million year-to-date. Favorability to budget is primarily due to timing of expenses and delays in initiating contracts. Metro has also reduced its use of third-party professional services by various departments. In January, Metro incurred $1.2 million in snow removal expenses. Paratransit service expenses for MetroAccess are $4.2 million unfavorable to budget year-to-date due to settlements paid to service providers, as well as late-trip credits given to passengers.

FY2016 Materials & Supplies expenses of $75.8 million have exceeded budget by $6.0 million. Car Maintenance is unfavorable to budget by $11 million for parts necessary for railcar overhaul initiatives to fulfill the 954 railcar minimum daily service requirement. These railcar rehabilitation parts are being supported by the operating budget. Costs from the blizzard were approximately $0.6 million for salt, de-icer and other supplies. Supplies for Bus maintenance is favorable to budget by $1.6 million as a result of management efficiencies. There have been additional savings in supplies in Treasury and other departments as the Authority focuses on efficiencies.

Fuel & Propulsion were under budget by $19.5 million primarily due to lower-than-projected fuel rates and decreased propulsion consumption. The diesel fuel rate year-to-date is $1.94 per gallon compared to a budgeted rate of $2.60 per gallon, resulting in net savings. Gasoline rates have been similarly favorable at $1.55 per gallon compared to a budget of $3.33. Propulsion and electricity expenses were favorable due to below budget consumption. Volume favorability in propulsion was primarily a result of lower-than-scheduled railcar miles. Electricity utilization is 20 percent below budget volume as a result of new facilities that have not come on-line as originally projected.

Budget Challenges & Mitigations

Metro's operating budget challenges in FY2016 are the result of ridership and fare revenue that are below forecast due to weather events such as the January blizzard, major service disruptions (including the substation fire at Stadium-Armory and the one-day system shutdown following the McPherson Square cable fire), and systemic ridership loss in response to a broader decline in service quality. Through the first three quarters, these revenue impacts have been offset by expense savings. However, reduced ridership and revenue are expected to continue in the fourth quarter and into FY2017 as service is impacted by the GM/CEO's recently-announced 'Safe Track' plan.

In order to mitigate this negative revenue variance, the GM/CEO has implemented a number of cost-containment initiatives, including targeted position freezes and reduced spending on services and materials contracts. Additional mitigation actions are available if necessary depending on the trends in revenue and expense as the fourth quarter progresses. These actions include the application of prior year surplus reserves (up to $13 million) and the transfer of FTA grant-eligible expenses currently in the operating budget to the capital budget (up to $20 million). Management will return to the Board before implementation of any of these additional mitigation actions.

CAPITAL PROGRAM SUMMARY

Metro delivered $667 million of CIP investment through the first three quarters of FY2016, or 55 percent of the total annual CIP budget. This is a significant improvement compared to FY2015 when only 40 percent of the capital budget was expended through third quarters.

During FY2016, Metro will focus on the delivery of key CIP investments that will improve the safety and reliability of the system. Projects are grouped into eight broad categories: Vehicles/Vehicle Parts; Rail System Infrastructure Rehabilitation; Maintenance Facilities; Systems and Technology; Track and Structures; Passenger Facilities; Maintenance Equipment; and Other Facilities and Project Management and Support.

Vehicles

In FY2016 Metro has planned to invest over $458 million in Vehicles and Vehicle Parts. This is the largest single category of capital improvements planned in FY2016 and includes significant replacement and rehabilitation of railcars and buses. Through the end of the third quarter Metro has invested over $304 million in this category, or 66 percent of its budget. Spending through the third quarter is at a significantly higher rate than the 34 percent spent through nine months last year. Major projects in this category include:

- MetroAccess Fleet Acquisition – In FY2016 WMATA plans to purchase 207 MetroAccess vans and install safety enhancements on 240 existing vehicles. In the second quarter the vehicle specifications were updated and award of the contract for the active safety package is pending as of the end of the third quarter. Staff expects a new vehicle contract to be issued in the late spring with delivery of vans beginning in late FY2016.
- Bus Replacement – WMATA plans to replace 189 buses in FY2016, and through the third quarter 125 buses have been replaced.
- 1000 Series Railcar Replacement – Through March 31, WMATA has received a total of 114 new 7000-series railcars, of which:
  - 64 were for Silver Line Phase I - those 64 are all in service;
  - 36 were conditionally accepted and entered service as 1000-series replacements; and
  - 14 more replacements were received and were in the commissioning process as of the end of the quarter.

Systems and Technology

WMATA has planned to invest $183 million in improvements to Systems and Technology in FY2016. Through the third quarter, $90 million or 49 percent has been invested, an increase over the 35 percent expended in the first three quarters of FY2015. Major projects in this category include:

- Traction Power State of Good Operations – This project is supporting three main activities in FY2016: cable replacement, the repair of the Stadium-Armory Traction Power Substation, and the NTSB recommendation to replace “orange boots and sleeves.” The project budget was increased from $5 million to $16 million through a November budget amendment to fund the necessary improvements to the

Stadium-Armory Traction Power Substation and to support the "orange boot" replacement project. Through the third quarter, an investment of $4 million or 24 percent of the project budget was made to advance these three main activities. WMATA moved a team off the jumper cable project to expedite the "orange boots" project, an activity originally scheduled for completion in September 2017 but now scheduled for August 2016. In the second quarter, the Stadium-Armory traction power substation operation was partially restored, and all travel restrictions for trains in that area were lifted. This interim solution will remain in place until a permanent solution is completed in FY2018.

- Management and Support Software – Staff forecasts that the new contract lifecycle management (CLM) procurement module in the PeopleSoft Financial system will go into production during the fourth quarter. The contract for a timekeeping solution was awarded in the third quarter. Phase I of the funds management automation project, which will improve federal grant financial management processes, rolled out in March as scheduled. A contract for the customer relationship management replacement project was finalized in the second quarter, and a kickoff meeting was held in January. Development is currently underway.
- New Electronic Payments Program – The FY2016 plan for this project included completing and evaluating the pilot program. In the third quarter WMATA completed the Parking garage pilot and on April 15 announced that the contract with the vendor was being terminated.
- Traction Power and Tie Breaker Improvements – At the beginning of FY2016 WMATA was planning to upgrade seven traction power substations (TPSS) in the current fiscal year. This plan has been updated to upgrade two TPSS in FY2016, with the remaining five, including the four K-Line TPSS, now expected to be completed in FY2017. WMATA also plans to upgrade eight tie breakers by the end of the fiscal year. Through the third quarter seven tie breakers were upgraded and one traction power substation was completed.

Maintenance Facilities

WMATA has planned to invest $188 million in improvements to Maintenance Facilities in FY2016. Through the first three quarters, $57 million or 30 percent has been invested, the same rate as last year. Major projects in this category include:

- Rail Yard Facility Repairs – Through the third quarter, $23 million or 51 percent has been expended. A change in scope for the Brentwood Service & Inspection (S&I) facility is pending. Some work at Brentwood is delayed due to this change, which may cause some activities planned for FY2016 to be delayed into FY2017. During the third quarter work continued at the New Carrollton, Alexandria, and Brentwood yards.
- Royal Street Bus Garage Replacement (Cinder Bed Road) – Through the third quarter $9 million or 28 percent of the budget has been expended. Staff is forecasting that approximately $18 million or 57 percent of the budget will not be spent in FY2016 due to delays caused by contaminated soil and a contractor leaving the project. During the third quarter, contractors finalized site and slab work for the main garage building and will begin erecting structural steel in the fourth quarter. The FY2017-2022 project plan has been updated to reflect the revised schedule.
- Relocation of Maintenance Departments – In FY2016 this project funds the

purchase of property, which is planned for the second half of the year. Settlement on the Good Luck Road property is currently in process.

- Southern Avenue Bus Garage Replacement (Andrews Federal Center) – Through the third quarter $7 million or 24 percent of the budget was invested and staff is projecting that $15 million or 50 percent of the budget will not be spent in the current fiscal year. The project plan has been updated to reflect the revised schedule. Work on the foundation and utilities for the main warehouse building continued in the third quarter.

Passenger Facilities
WMATA has planned to invest $129 million in improvements to Passenger Facilities in FY2016. Through the third quarter $76 million or 59 percent has been invested, a higher rate than the 41 percent expended in the same period of FY2015. Major projects in this category include:

- Elevator Rehabilitation – In FY2016 expenses of $8 million are planned to rehabilitate 19 elevators. Through the third quarter 15 of the 19 elevators were rehabilitated and $7 million or 87 percent of the budget was expended.
- Escalator Rehabilitation – In FY2016 WMATA plans to invest $10 million to rehabilitate 18 escalators throughout the system. Through the third quarter 15 of the 18 escalators were rehabilitated and $9 million or 88 percent of the budget was expended.
- Escalator Replacement – WMATA continues to invest in replacing the system's aging escalator infrastructure. In FY2016 WMATA anticipates spending $27 million to replace 17 escalators. Through the third quarter 14 of
- Bus Priority Corridor & Network – During the third quarter, the Bus Fleet Management Plan and Bus Facility Study were nearing completion. The TIGER construction projects at Pentagon and Franconia-Springfield Stations were advancing towards their projected completion date of May 2016. Work in support of DDOT's Traffic Signal Priority project proceeded with support by BMNT and IT to integrate communications.

Track and Structures
WMATA has planned to invest $81 million in improvements to Track and Structures in FY2016. In the first nine months, $48 million or 59 percent was invested, comparable to the 57 percent expended through three quarters in FY2015.

- Track Rehabilitation – The largest investment in this category is to rehabilitate the tracks and components of the rail system. Through the third quarter, over $36 million, 67 percent, of the total annual budget was invested on improvements including: 27 of the 40 miles of track in the annual plan were tamped, 7 of 12 miles of running rail replaced, 39,648 versus the planned 27,000 fasteners replaced, and 6,729 of 15,000 cross ties replaced.

Rail System Infrastructure
In FY2016 WMATA has planned to invest over $107 million to rehabilitate the Rail System Infrastructure, mainly through rail line rehabilitation projects. Through the third quarter there has been an investment of $55 million, or 52 percent of the total budget. Spending through March is slower than the FY2015 rate of 72 percent. The major FY2016 projects in this category include:

- Red Line Rehab Stage 2 – In FY2016 WMATA is scheduled to continue planning, design and engineering work, and procurement activities. However, despite reviewing technical bids in the second quarter, WMATA elected to not award a contract at this time in order to review the project scope and implementation plan.
- NTSB Recommendations – In FY2016 WMATA is continuing to replace GRS track circuits and the implementation of a program to monitor onboard event recorders. At the end of the third quarter 79 percent of the total planned track and circuit work was completed. A contract for Vehicle Monitoring System (VMS) upgrades was awarded during the second quarter, and in the third quarter WMATA performed software and hardware upgrades on 93 VMS kits. WMATA also received 50 VMS spare kits.
- Orange/Blue Line Rehabilitation Stage 1 – The Orange/Blue line project continues with an investment of $35 million of the $67 million budget made in the first three quarters of FY2016. This project experienced delays in the planned replacement of equipment in the AC rooms – thus WMATA removed four AC rooms from the plan for FY2016. Work in other areas was completed during the third quarter, including: a TPSS at Arlington Cemetery, a Monitor Control System (MCC) at Foggy Bottom, kiosks at Federal Triangle, McPherson Square and Foggy Bottom, and AC Rooms at New Carrollton, Cheverly, Smithsonian and Pentagon City.

Other Facilities and Program Management & Support

WMATA has planned to invest $36 million in FY2016 in projects that improve Other Facilities and Program Management and Support. Through the third quarter, $27 million or 75 percent was invested, more than the 52 percent expended through the third quarter of FY2015. Major projects in this category include:

- Credit Facility – This project funds the lines of credit and interim financing necessary to support the capital program's cash flow needs. Through the third quarter $2.4 million or 57 percent of the total annual budget was expended for these activities. The long-term debt originally planned to be issued during the first quarter is now forecasted to be issued in the fourth quarter.
- Financial Planning, Project Administration, and System Wide Infrastructure – In FY2016 contractor support for general engineering, staff augmentation and program management support is funded by for this project.

Maintenance Equipment

WMATA has planned to invest $25 million in improvements to Maintenance Equipment in FY2016. In the first three quarters, $10 million or 42 percent has been invested. This is less than the 58 percent expended in the comparable period of FY2015. Major projects in this category include:

- Rail Shop Repair Equipment – During the first quarter the replacement of the Shady Grove tool shop air compressor was completed. All work under the contract was completed and contract closeout efforts continue.
- Bus Repair Equipment – By the end of the second quarter the bus operator quiet rooms were completed and work began on several equipment upgrades and replacements. Construction on bus training rooms is scheduled to begin at the start of FY2017. The Fleetwatch software update is in progress and will be completed in the fourth quarter.
- Radio Infrastructure Replacement, T-Band Relocation – WMATA plans to replace

the Comprehensive Radio Communications System (CRCS) with a new system operating in the 700 MHz band. In the second quarter engineering task orders were issued to perform a 3D survey of the tunnels to determine the precise lengths of cables needed in the below ground system. The pilot area between Glenmont and Silver Spring for the 3D survey was successfully completed.

FUNDING IMPACT:

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

TIMELINE:

Previous Actions	Feb 2016 - FY2016 Second Quarter Update
Anticipated actions after presentation	Sep 2016 - Preliminary FY2016 Year-End Financial Report

RECOMMENDATION:

Information item only - no action required.

Washington Metropolitan Area Transit Authority

FY2016 Third Quarter Financial Update

Finance Committee
May 12, 2016

Net Operating Position

($ in Millions)

	FY2016		Variance FY16		
	Actual	Budget *	$	Percent	Variance
Revenue	$ 650	$ 691	$ (41)	-6%	
Expense	$ 1,267	$ 1,340	$ 73	5%	
Net Subsidy	$ 617	$ 649	$ 32	5%	
Cost Recovery	51%	51%			

**** Budget Expense and Subsidy figures are net of budgeted Preventive Maintenance transfers to Capital ($7.7M in Q3, $23.0M YTD)***

Ridership

(trips in Thousands)

QTD	Q3-FY2015	Q3-FY2016		Variance FY16	
	Actual	Actual	Budget	Prior Year	Budget
Metrorail	46,645	44,850	50,670	-3.8%	-11.5%
Metrobus	30,483	29,154	33,607	-4.4%	-13.3%
MetroAccess	518	540	563	4.2%	-4.1%
System Total	**77,646**	**74,544**	**84,840**	**-4.0%**	**-12.1%**

YTD	FY2015	FY2016		Variance FY16	
	Actual	Actual	Budget	Prior Year	Budget
Metrorail	151,302	142,580	153,982	-5.8%	-7.4%
Metrobus	98,639	95,242	103,833	-3.4%	-8.3%
MetroAccess	1,651	1,686	1,738	2.1%	-3.0%
System Total	**251,592**	**239,507**	**259,553**	**-4.8%**	**-7.7%**

Operating Revenue

FY2016 Ridership and Revenue Through Q3

Mode	Measure	Budget	Actual	Variance
Rail	Ridership	154 million	143 million	↓
	Revenue	$464 million	$429 million	↓
Bus	Ridership	104 million	95 million	↓
	Revenue	$117 million	$106 million	↓
Access	Ridership	1.74 million	1.69 million	↓
	Revenue	$6.3 million	$6.8 million	↑
Parking	Revenue	$36 million	$34 million	↓
Non-Passenger *	Revenue	$59 million	$61 million	↑

** includes advertising, fiber optics, leases, etc.*

Operating Expense

Expense Category		Budget	Actual	Variance
Labor	Salaries and Wages	$677 million	$643 million	
	Fringe Benefits	$324 million	$301 million	
Non-Labor	Fuel, Propulsion and Utilities	$103 million	$83 million	
	Services	$164 million	$144 million	
	Materials and Supplies	$70 million	$76 million	
	Insurance and Other	$26 million	$19 million	
Total Operating Expenses		$1,363 million *	$1,267 million	

** $1,340 million after $23.0 million adjustment for budgeted PM transfers*

Budget Challenges & Mitigations

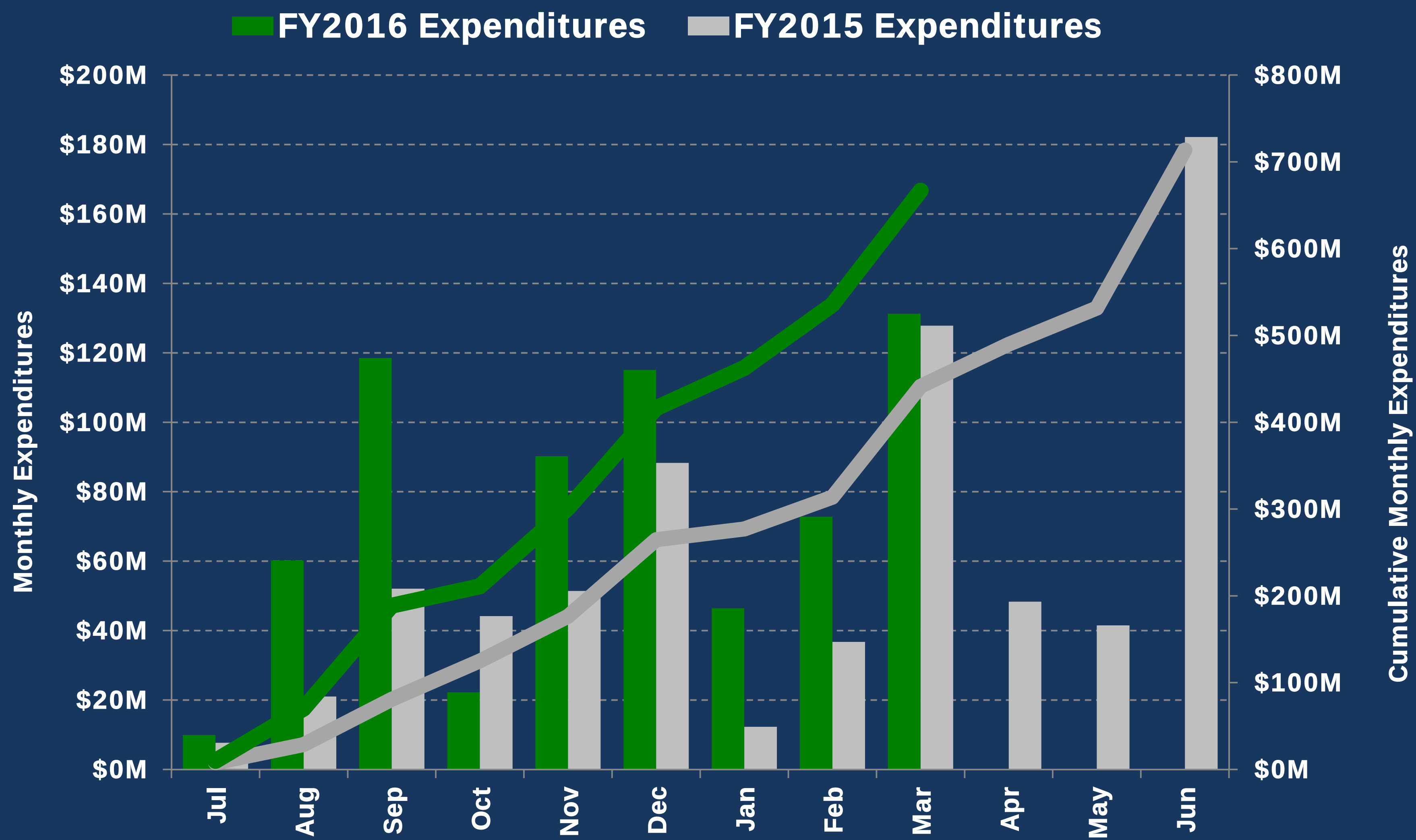
Budget Challenges

- Ridership and Revenue below forecast:
  - Substation Fire (Q1)
  - Snow (Q3)
  - Shutdown (Q3)

Mitigations

- GM/CEO directed cost containment
- (Potential) Apply prior year surplus reserve
- (Potential) Transfer FTA grant-eligible expenses currently in operating budget to capital budget

FY2016 Capital Progress



Vehicles

Railcars, Buses, and MetroAccess Vans

Investment Through FY2016-Q3	$304M
Planned FY2016 Total Investment	$458M
Spending Rate Through FY2016-Q3	66%
Spending Rate Through FY2015-Q3	34%

Highlights Through Q3

- 114 new 7000 series railcars delivered as of March 31 – 100 accepted and in service, 14 in commissioning process
- 125 of 189 planned replacement buses delivered

Systems & Technology

Investment Through FY2016-Q3	$90M
Planned FY2016 Total Investment	$183M
Spending Rate Through FY2016-Q3	49%
Spending Rate Through FY2015-Q3	35%

Highlights Through Q3

- Expedited NTSB recommendation to replace orange boots and sleeves – tunnels projected completion in May 2016, remaining by August 2016
- Seven tie breakers, one traction power substation upgraded

Maintenance Facilities

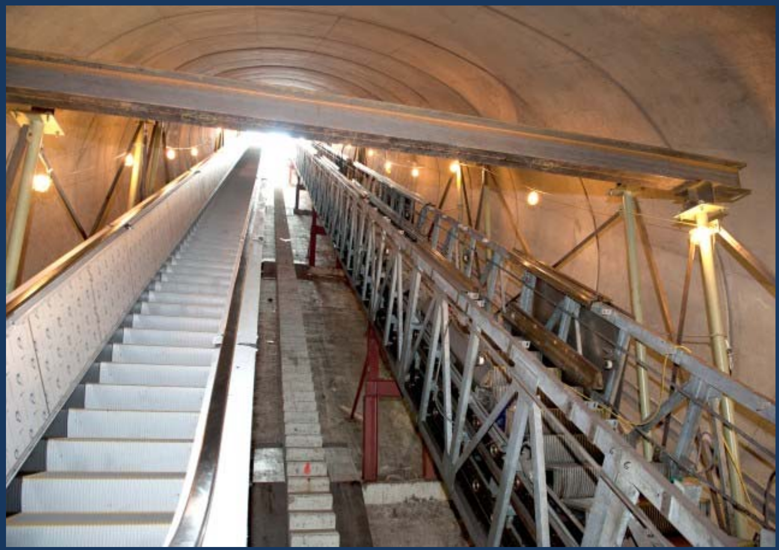
Investment Through FY2016-Q3	$57M
Planned FY2016 Total Investment	$188M
Spending Rate Through FY2016-Q3	30%
Spending Rate Through FY2015-Q3	30%

Highlights Through Q3

- Work continued at New Carrollton, Alexandria, and Brentwood yards
- Work on foundation and utilities at new Andrews Federal Center Bus Garage

Passenger Facilities

Investment Through FY2016-Q3	$76M
Planned FY2016 Total Investment	$129M
Spending Rate Through FY2016-Q3	59%
Spending Rate Through FY2015-Q3	41%



Highlights Through Q3

- 15 of 19 planned elevators rehabilitated
- 14 of 17 planned escalators have been replaced
- 15 of 18 escalators rehabilitated

Track and Structures

Investment Through FY2016-Q3	$48M
Planned FY2016 Total Investment	$81M
Spending Rate Through FY2016-Q3	59%
Spending Rate Through FY2015-Q3	57%

Highlights Through Q3

- 27 of 40 miles of track tamped, 7 of 12 miles of running rail replaced, 6,729 of 15,000 cross ties replaced and 39,648 fasteners replaced (against plan of 27,000)

Rail System Infrastructure

Investment Through FY2016-Q3	$55M
Planned FY2016 Total Investment	$107M
Spending Rate Through FY2016-Q3	52%
Spending Rate Through FY2015-Q3	72%

Highlights Through Q3

- GRS track circuit replacement continues
- Orange Blue Line Rehab, including kiosks, AC Rooms, TPSS at Arlington Cemetery, and monitor control system of fan shaft at Foggy Bottom

Maintenance Equipment

Investment Through FY2016-Q3	$10M
Planned FY2016 Total Investment	$25M
Spending Rate Through FY2016-Q3	42%
Spending Rate Through FY2015-Q3	58%

Highlights Through Q3

- Completed pilot test of 3D survey for Comprehensive Radio Communications System project
- Delay in award of contract for bus maintenance equipment

Next Steps

- **July 2016**: Start of FY2017
- **September 2016**: Preliminary FY2016 Year-End Financial Report