Finance Committee

Information Item III-A

September 8, 2016

FY2016 Year-End Financial Update

Washington Metropolitan Area Transit Authority

Board Action/Information Summary

Action	Information	MEAD Number: 201779	Resolution: Yes	No

TITLE:

FY2016 Year-End Financial Update

PRESENTATION SUMMARY:

Present FY2016 year-end operating and capital budget results.

PURPOSE:

Staff will inform the Board on ridership, revenue, and operating expenses as of the end of FY2016, as well as the status, delivery rates, and progress of the capital program during the same period.

DESCRIPTION:

Key Highlights:

- Metro finished FY2016 with a positive net operating position of $0.7 million. Operating expenses for FY2016 were $1.716 billion, or $67.5 million below budget (after accounting for the transfer of $30.7 million of eligible preventive maintenance expenses to the capital budget), while operating revenues were $871.2 million, or $66.8 million below budget.
- The favorability in operating expense was the result of savings in most major expense categories, including salaries/wages, services, and fuel and propulsion. These reduced operating expenses were the result of strict control of non-essential expenses, as well as favorable fuel rates and decreased electricity utilization. Personnel costs were also favorable to budget as a result of vacancies, due in part to a hiring freeze for certain vacant positions. Operating revenues were unfavorable to budget throughout FY2016 due to decreased ridership and fare revenue on both rail and bus.
- Metro delivered $1.023 billion of CIP investment in FY2016, or 85 percent of the total annual CIP budget. This was a significant improvement compared to FY2015 when 65 percent of the CIP budget was expended.

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 is also investing in the largest and most aggressive capital program since its construction. Metro is being rebuilt 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:

Ridership and Revenue

Total transit ridership in FY2016 on all modes was 321 million trips, a decrease of 20 million or six percent compared to the prior year. Ridership had originally been forecasted to increase slightly, so actual trips finished below budgeted trips more sharply, by 31 million or 8.9 percent. Ridership and revenue for both bus and rail were substantially below budget in all months except for July 2015, the first month of the fiscal year. The significant ridership drop-off began in August 2015, stayed relatively stable through March 2016 (exacerbated in January 2016 as a result of the blizzard), and then the drop-off worsened in the fourth quarter.

As a result, total revenue (including both fare and non-fare sources) was below budget each month of FY2016 except for December and May as a result of one-time items. Consequently, total FY2016 operating revenue of $871 million was seven percent below budget ($67 million) and also declined versus FY2015 total revenue by approximately four percent.

Metrorail

Total rail ridership in the fourth quarter of FY2016 was 48.8 million trips, a decline of over 11 percent or 6.3 million trips compared to the same quarter last year. Ridership was down across all time periods, days of the week, and nearly all individual stations, although losses were especially severe in off-peak periods (weekends, mid-day and evenings). Specific performance highlights from each month are provided below.

April

Rail ridership was down significantly in April 2016 compared to last year. In the first half of the month, the loss of blossom-related ridership was evident at stations like Smithsonian (down 27 percent, and the biggest station-level loss this month), Federal Triangle, and other stations near the Mall. The second weekend in April was down 50-60 percent, demonstrating the unusually high ridership Metro experienced last year at this time due to a combination of blossoms, tourism, and sports events.

The shift of the blossoms to March also explains some of this month's losses in off-peak ridership. Metrorail also continues to experience declines in ridership at times and places unrelated to tourism. Peak hour commuter markets were down four to five percent in April, across a variety of stations and on most lines. In the AM peak, for example, ridership was down at more than 70 of the 91 stations.

One area of relative strength appears to be the Green/Yellow and the northeastern Red Lines in DC at peak times, particularly at stations that have recently seen commercial and residential development nearby. For example, AM peak ridership at Rhode Island Ave, Columbia Heights, Fort Totten, Navy Yard, and Shaw-Howard were all up slightly. In addition, stations on the Glenmont branch of the Red Line in Montgomery County (Silver Spring, Wheaton, etc.) were generally stable. In contrast, heavy losses persisted at the Largo and New Carrollton branches this month, especially on the Orange Line (down 12-15 percent). In fact, all stations east of Capitol South on the Silver/Orange/Blue Lines were down nearly 10 percent. The only stations in Virginia to

post gains in ridership were the new Silver Line stations of McLean, Tysons Corner, and Greensboro.

Midday and evening ridership was down at nearly all stations by 10-20 percent in April, with three exceptions: Southern Ave, Mt. Vernon Square, and Greensboro. Navy Yard's evening ridership was up, primarily due to the baseball schedule. Weekend rail ridership was down 20-30 percent, with losses correlating to weekend trackwork and to the Cherry Blossoms (in the first half of the month). The decline in ridership appears somewhat more severe due to the one unusually high ridership weekend last year, but the underlying trend on other weekends is still down substantially.

Metro parking facilities posted losses of approximately three percent, roughly in line with peak hour ridership declines. The underlying trends vary depending on location:

- Larger declines in parking transactions on the Largo, New Carrollton, and Vienna branches
- Small gains on the northeast Green Line
- Stability or small losses at all other locations

May

Rail ridership in May was down nine percent on weekdays and more than 20 percent on weekends. Poor weather throughout the month, including nearly 20 days with rainfall, explains some of this weakness, particularly at off-peak times. However, losses continued even on days with good weather and during peak commuting times, which normally are not significantly affected by weather.

The overall rail ridership pattern in April and May is similar to what occurred in the fall of 2015: a roughly five percent drop in peak commutes, a 10 percent drop at off-peak times on weekdays, particularly in the evenings, and an even larger decline on weekends. Losses were focused on the eastern end of the Blue/Orange Silver Line in Prince George's County, while stations along the northeast Red Line in D.C. were more stable.

Off-peak ridership declines are coinciding with less frequent service due to maintenance, and the service reductions have been substantial. In May, many lines operated on 18-24 minute headways on the weekends, whereas last year service was more generally at 10 minute frequencies with a turnback. In addition, three unusually low-ridership days pulled the monthly performance down further.

- On Friday May 6, rail ridership was down abruptly by over 20 percent to 590,000. This impact was felt across nearly all stations on the Blue, Orange, Silver and Green Lines, while the Red Line and the Green Line in DC were more stable. No clear cause has been identified.
- During the rainy weekend of May 21-22, Metro operated 24-minute headways on the Red Line and ran a bus bridge around Stadium-Armory station. As a result, stations on the Red Line and the outlying parts of the Blue/Orange/Silver lines were down 20-40 percent. Overall, the weekend finished down over 40 percent.

Rail ridership losses are also occurring relatively evenly over different trip lengths – that is, Metro is not losing short trips and retaining long trips, or vice versa.

Metro parking facilities posted losses of five percent during the month, and the trends in May were similar to April:

- Larger declines in parking transactions on the Largo, New Carrollton, and Vienna branches
- Small gains on the northeast Green Line
- Stability or small losses at all other locations

June

June was heavily impacted by the first two SafeTrack surges – a continuous single-tracking between Ballston and East Falls Church from June 4-16, followed by a line segment shutdown between Eastern Market and Minnesota Avenue/Benning Road from June 18 to July 3. Total rail ridership was down 13 percent in June compared to the same month last year. The $5 million additional loss in fare revenue associated with these two surges was in line with expectations. Highlights from the two surges are provided below:

Surge 1

- Demand for rail west of Ballston fell 19 percent in response to a 70 percent service cut:
    - Bigger losses on Orange Line (-27 percent); Silver more stable (-11 percent).
    - Nearly 3,000 trips/hour diverted away from Metrorail in the peak 8:00 a.m. hour, helping to ease crowding.
- At downstream stations east of Ballston to L'Enfant Plaza on Silver/Orange/Blue, about 15 percent of riders diverted.
- Biggest impacts were at peak commuting times, which helped mitigation efforts to work; off-peak losses on the order of 5-10 percent.
- Ridership rebounded slightly in the second week (vs. first) as routines settled.
- On bus, around 800 trips/day diverted to the free bus shuttles to Ballston, plus another 1,400 trips/day on alternative bus routes in the area, such as the 38B.
- Less than 10 percent of the diverted rail riders apparently switched to Metrobus: of approximately 20-25,000 rail trips per day diverted due to Surge 1, we saw increase in bus ridership of approximately 1-2,000 trips per day.
- Stations unaffected by Surge 1 were down approximately seven percent, consistent with ridership in May and April, including no unusual losses on the east side of the Silver Line.

Surge 2

- Enough customers diverted for mitigations to work relatively smoothly. Demand did not significantly overwhelm capacity of stations and bus shuttles.
- Demand for rail was down 53 percent at the hardest-hit stations:
    - A reduction of 82 percent during morning rush east of Eastern Market, twice the reduction in peak demand as Surge 1.
    - A 58 percent increase in ridership at Eastern Market itself, above and beyond those using the "virtual tunnel."
- A 12 percent loss in ridership due to downstream service reductions on the Blue/Orange/ Silver Lines.

- Lost roughly 37,000 trips per weekday: 20,000 from east of Eastern Market, and 20,000 farther down the Silver/Orange/Blue Line, and gained 3,000 at Eastern Market.
- 8,500 diverted to other stations on the Green Line and Farragut North; approximately 4,000 likely diverted to Metrobus.
- 18,000 boardings per day on the shuttles, with a bus every two minutes at the peak.
- 9,000 “virtual tunnel” transactions per weekday from customers riding rail-to-shuttle-to-rail.
- Rail stations unaffected by the surge were down approximately six percent on weekdays.

Metrobus
Total bus ridership in the fourth quarter of FY2016 was 32.1 million trips, a decline of 2.1 million trips or six percent compared to the same quarter last year. Specific performance highlights from each month are provided below.

April
Bus ridership overall was down about three percent on weekdays, and 10-15 percent on weekends. Routes in the District of Columbia (DC), particularly in eastern and northeastern DC, led the weekday losses (down five percent), while markets in Maryland and Virginia were more stable (down one percent). The months-long decline in large corridors in Maryland abated somewhat, except for services on the Q lines.

Ridership on the X2 and X9 lines on H Street and Benning Road do not appear to be substantially impacted by the new DC Streetcar, which operates on the same corridor. Ridership on the X2 was down about five percent throughout the day, by about 700 fewer weekday trips (17,000 total). By contrast, weekday ridership on the Streetcar was about 2,300 trips. In addition, the X2’s ridership may be down for reasons unrelated to the Streetcar – in the early morning and on Sundays when the Streetcar is not running, the X2 was also down four percent and 13 percent, respectively. It appears the Streetcar is mostly serving a different market than the X2.

Ridership on the revised NH1 continues to grow very quickly, up 73 percent, and Metroway in Virginia was up 33 percent on weekdays, and the Sunday market is also growing steadily.

May
Bus overall was down about seven percent on weekdays, and 13-14 percent on weekends, similar to the pattern in April. Analysis shows that ridership declines on bus are being led by customers transferring to and from rail. Bus-to-rail transfers were down 14 percent on weekdays in May, twice as fast as overall ridership. The loss is strongest in DC. On weekends, bus-to-rail transfers were down 25-30 percent, similar to overall losses on rail. This suggests again that the trends affecting rail are spilling over to Metrobus. Bus corridors that operate independently from Metrorail are faring relatively better than the corridors that interact with rail.

June
Total bus ridership in June 2016 was 10.9 million trips, down approximately five percent from the previous June at 11.4 million. Average weekday travel was also down five

percent, while weekend ridership diverged – Saturdays were flat, while Sundays were down six percent. As noted above, ridership did increase on a limited number of routes as customers shifted away from SafeTrack-affected rail lines, but it was not sufficient to offset the continued overall decline.

MetroAccess
Total ridership on MetroAccess for the year was 2.28 million trips. This reflects growth of approximately two percent over FY2015, but is also below projected growth by two percent. This lower growth reflects in part the implementation of the TransportDC taxi alternative program, which carried upwards of 10,000 District resident trips per month by the second half of the fiscal year.

Operating Expenses
FY2016 year-end operating expenses were favorable to budget by $98.2 million, or 5.4 percent, due to savings in service contracts, lower fuel costs, and reduced propulsion usage. Total expenses were 3.3 percent greater than FY2015 as a result of wage rate adjustments, additional positions for fatigue management, and overtime.

Labor
FY2016 personnel expenses (including salaries/wages, overtime, and fringe) of $1,267.9 million were favorable to budget by $62.4 million or 4.7 percent. This positive variance represents savings resulting from management actions to reduce costs, including a hiring freeze for certain non-safety critical positions, as well as the planned transfer of wage and fringe expenses related to eligible preventive maintenance (PM) activities totaling $30.7 million to the capital budget ($10.2 million for bus and $20.5 million for rail). The SafeTrack effort, which started in June, is funded through the Capital Budget and is not a significant factor in FY2016 operating expenses. Vacancies and cost savings in fringe benefits also contributed to the overall savings.

Positions and Staffing
As of the end of the fiscal year, Metro's employee vacancy rate was 7.0 percent of the 13,032 authorized positions, due in part to the hiring freeze noted above. This rate was consistent throughout the fiscal year and resulted in a positive variance to budget in Salaries and Wages of $40.4 million.

On June 27, 2016, the General Manager directed the elimination of 500 positions in FY2017. This action is in support of the Customer Accountability Response (CARe) initiative to identify non-essential vacant positions, as well as positions that are no longer deemed critical to Metro's core business requirements.

Overtime
Overtime expenses of $80.3 million in FY2016 were over budget by $2.5 million or 3.3 percent. This was due primarily to additional staff support required for the January blizzard, which totaled $4.9 million including fringe benefits. In addition, $0.5 million of overtime and fringe was incurred for emergency inspections and repairs during the rail shutdown on March 16.

Fringe Benefits
Fringe benefit expenses were $24.5 million below budget in FY2016 due primarily to two actions. First, a budgeted contribution of $9.1 million (operating budget portion) to a new Other Post-Employment Benefits (OPEB) Trust was not made because the trust

was not established as planned. Second, workers compensation, healthcare and pension were favorable by a combined $13 million.

Non-Personnel
Non-personnel expenses of $447.8 million in FY2016 were below budget by $35.8 million or 7.4 percent. Expenses were $1 million lower than FY2015 due primarily to reductions in fuel costs and a reduced obligation in the claims and liability reserve.

Services
Services were $16 million below budget due to the reduction in third-party professional services. The Chief Financial Officer reduced service contract expenses for smart cards, claims adjusters, and professional services. The Office of Elevators and Escalators also reduced their use of service contracts. Renovations at Mount Vernon and Shady Grove were deferred in order to focus on track safety. Finally, delays in initiating various third-party contracts throughout the fiscal year resulted in reduced expenses. Offsetting some of the savings achieved in these areas, MetroAccess service expenses were unfavorable to budget by $6.2 million due to service provider contract closeouts, as well as late-trip credits given to passengers.

Material & Supplies
Materials & Supplies expenses exceeded budget by $12.1 million due primarily to an increase in purchases of parts for railcar rehabilitation. Due to federal “Buy America” requirements, certain railcar parts that do not comply with those provisions (such as parts to overhaul the 4000 Series railcar doors to improve safety) were purchased through the operating budget in FY2016. As a result of efficiencies in vehicle fluids and engine parts, supplies for Bus Maintenance were favorable to budget by $2.4 million, offsetting some of the overruns in other areas.

Fuel & Propulsion
The average diesel fuel rate for FY2016 was $1.94 per gallon compared to a budgeted rate of $2.60 per gallon, resulting in significant net savings for Metrobus. Gasoline rates were similarly favorable at $1.51 per gallon compared to a budget of $3.33. Consequently, Fuel expenses were $13.7 million (or 34.3 percent) below budget in FY2016.

Propulsion and electricity expenses were also favorable due to below budget consumption. Volume favorability in Propulsion was primarily a result of lower-than-scheduled railcar miles due to increased headways for track maintenance and less than maximum railcars during peak service. Electricity utilization was 19.1 percent below budgeted volume as a result of delayed openings of new facilities such as Cinder Bed Road Bus Garage, Takoma Langley Transit Center, Silver Spring Transit Center, and the MTPD Training Facility.

Capital Program Highlights
Metro delivered $1.023 billion of CIP investment in FY2016, or 85 percent of the total annual CIP budget. This is a significant improvement compared to FY2015 when 65 percent of the annual CIP budget was expended.

During FY2016, Metro focused on the delivery of key CIP investments that improve the safety and reliability of the system. Capital program performance compared to budget

through the fourth quarter of FY2016 is summarized by Investment Category in the analysis below. Budget amounts are inclusive of budget amendments and reprogramming actions that transferred budget between projects and categories during this fiscal year.

In an effort to align capital program management with the structure of the Federal Transit Administration's new TrAMS grants management system and to streamline cross-project coordination, communication, and funding, WMATA has categorized projects into the following six investment categories: Railcar Investments, Rail Systems Investments, Track and Structures Rehabilitation Investments, Stations and Passenger Facilities Investments, Bus and Paratransit Investments, and Business Support Investments.

Railcar Investments
In FY2016, WMATA expended $301.4 million or 91 percent of the budgeted investments in the Railcar category.

A total of $190.5 million was expended on Railcar Acquisition during the fiscal year. As planned, Option 2 and Option 5 for 7000 Series railcars were exercised at an expense of $50.6 million, and 88 of the 1000 Series railcars were replaced at a total cost of $130.4 million ($130.6 million including disposal costs).

In Railcar Maintenance Facilities, $51.6 million (68 percent) of the budgeted $75.8 million was invested. This variance is largely due to a lower than expected purchase price for the Good Luck Road property, intended for facilities consolidation, as it cost less than the property WMATA intended to purchase at the start of the fiscal year.

Design work for this project is expected to be complete in late fall 2016, and construction will begin in the fourth quarter of FY2017. Portions of the following departments are planned for consolidation and/or relocation to the new property: Systems Maintenance, Railcar Maintenance, the capital projects power team, Plant Maintenance, Records, and the Print Shop.

A total of $13.7 million was invested in the facilities consolidation project – $7.6 million less than the $21.3 million budgeted. In addition the DHS grant-funded CCTV project for the hardening of rail yards was delayed at the start of the year, reducing the total expenses for the project to $3.2 million versus the planned $4.7 million.

Railcar Maintenance and Overhaul efforts accounted for $59.3 million in investments – 96 percent of the budgeted $61.7 million.

Final design and testing of precision stop software are planned to be completed as well in FY2017, and installation will begin on 840 railcars. At the end of FY2016, 34 software improvements remained be addressed by the contractor.

Rail Systems
In the Rail Systems investment Category, $74 million (or 60 percent) of the budgeted $122.7 million was invested. The larger share of the underspend variance fell within the Propulsion program, primarily due to procurement process delays for the upgrade of six Tie Breaker Stations on the Orange/Blue Line, which delayed the project throughout the

fiscal year. Additionally, the interim power solution that was implemented at Stadium-Armory following the substation fire was less expensive than expected.

In the Signals & Communications program 79 percent of the planned $57 million was invested. This was due to issues in the NTSB track circuit project. Two shutdowns were missed due to winter weather and sufficient escorts and planned track access for nighttime work could not be secured to make up the work scheduled for these shutdowns. In FY2016, a total of 295 bonds and 256 card files were replaced. The remaining work is planned for completion in FY2017.

Track & Structures Rehabilitation
Investments in Track & Structures Rehabilitation totaled $109.0 million, 91 percent of the planned $119.2 million.

Within the Fixed Rail program, $8.3 million more was invested in the Track Rehabilitation Project than was originally planned due to the allocation of resources to priority SafeTrack work. These expenditures, however, did not fully offset reduced work on other fixed rail projects. For example, some third rail rehabilitation efforts were intentionally deferred in order to focus on SafeTrack priorities, while progress in the joint elimination program was impacted by a mechanical failure in the flash butt prime mover (which has now been resolved).

In the Structures program, work on the rehabilitation of the Farragut North beam has been less expensive than originally projected. There have also been delays to the rehabilitation of the aerial structure at Bush Hill due to complications in arranging access agreements with CSX.

Stations & Passenger Facilities
In the Stations & Passenger Facilities program $182.8 million (82 percent) of the budgeted $222.0 million was expended. While $92.5 million was planned in the Platforms & Structures program, $68.5 million was expended, accounting for the largest budget variance in the category.

$14 million of this variance was due to delays in the Orange/Blue Line Rehabilitation project. The planned replacement of equipment in AC rooms was scheduled aggressively and four AC rooms were later removed from the plan for FY2016. Coordination issues with prioritized SafeTrack work, as well as with Pepco, also impacted access.

Work in other areas was completed including: a traction power substation 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.

The Red Line Phase 2 rehabilitation project was also deferred in order to re-examine the approach to addressing water infiltration issues. An updated plan will be developed in FY2017.

In the vertical transportation program the following activities were planned and completed in FY2016:

- Elevator Rehabilitation – $9.6 million was budgeted to rehabilitate 16 elevators. As of the end of the year, $9.5 million had been expended and 19 elevators were completed.
- Escalator Rehabilitation – Metro budgeted $10.4 million for the rehabilitation of 27 escalators and expended $9.4 million to complete 18 escalators.
- Escalator Replacement – Metro budgeted $33.3 million to replace 14 escalators and was able to invest $37.6 million and replace 19 escalators.

$33.7 million was invested in the Fare Collection program in FY2016. WMATA determined not to proceed with the New Electronic Payments Program and instead to focus on developing a state of good repair investment plan to ensure the gates and fare machines work reliably for customers.

Under the Station Systems program, the project to raise vent shafts to prevent station flooding has encountered delays due to obtaining required regulatory approvals from the National Capital Planning Commission, the Commission of Fine Arts, and compliance under the National Historic Preservation Act.

Significant accomplishments within the Parking Facilities program include the completion of all concrete repairs, expansion joint replacements, and joint sealing for the Vienna South parking garage. Concrete repairs, expansion joint replacements, and joint sealing continues at Shady Grove North and Franconia/Springfield East garages. The Huntington South garage load assessment was also completed in FY2016.

Bus & Paratransit Vehicles
In the Bus & Paratransit Vehicles category, 85 percent of the planned $319.6 million was invested. In the Bus Acquisition program there was an accelerated delivery of nine 40-foot CNG buses and one 40-foot hybrid coach; these buses were replaced earlier than forecasted.

The Cinder Bed Road Bus Garage project was delayed due to permitting issues which slowed the overall spend in FY2016. Similarly, the Andrews Federal Center bus facility project was also delayed due to contaminants found in the sub-grade topsoil. Removal and remediation work has delayed the schedule for this project – however, for both projects the rate of expenditure in the fourth quarter doubled.

Additionally, a new contract for the replacement of underground storage tanks was not awarded in FY2016 due to procurement process delays, and only minor improvements were completed.

The variance in the Bus Maintenance & Overhaul program is largely due to increased terms on extended warranties for and improved durability of repairable bus components. This was not reflected in FY2016, but it has been accounted for in the reduced budget for FY2017.

Additional delays resulted from technical problems in new or upgraded automatic vehicle location equipment, as well as delays in the contract award for the installation and replacement of bus cameras.

Both the TIGER Grant and Bus Livability Grant funded projects have experienced

delays, pushing them into FY2017. In the Paratransit program, the delivery of 207 vans was delayed until FY2017.

Business Support
Under the Business Support Investments category, 89 percent of the planned $95.5 million was expended.

Under the IT program, the new Contract Lifecycle Management System was put into production, the standardized time management solution was kicked off, and GIS was integrated into the Asset and Management System.

WMATA also implemented the core functionality of the new Funds Management System that will deliver a compliant and streamlined grants management solution. In the coming months, WMATA will be deploying additional Funds Management functionality.

Data Center power tracing was completed and new Power Direct Units were installed at two data centers. WMATA is also in the process of standardizing the mobile device lifecycle process and provisioning mobile print.

The largest budget variance in this category is in the Support Equipment & Services program. This variance is largely due to delays in non-revenue vehicle deliveries (148 actual vs. 162 planned), as well as delays in the development of technical specifications for the environmental compliance contract.

FUNDING IMPACT:

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

TIMELINE:

Previous Actions	May 2016 - FY2016 Third Quarter Financial Update
Anticipated actions after presentation	November 2016 - FY2017 First Quarter Financial Update

RECOMMENDATION:

Information item only - no action required.

Washington Metropolitan Area Transit Authority

FY2016 Year-End Financial Update

Finance Committee
September 8, 2016

FY2016 Summary

- Operating budget balanced – actions to reduce expenses offset revenue decline from lower ridership
- Significant capital delivery:
  - $1.02 billion invested – 85 percent of original $1.21 billion budget
  - Over $300 million more than FY2015

Net Operating Position

($ in Millions)	FY2016		Variance FY2016		
	Budget	Actual	$	Percent	Variance
Revenue	$ 938	$ 871	$(67)	-7%	⇩
Expense	$1,783	$1,716	$ 68	4%	⇩
Net Subsidy	$ 845	$ 844	$ 1	0%	⇔
Cost Recovery	53%	51%			

Ridership

(trips in thousands)

Q4	Q4-FY2015	Q4-FY2016		Variance FY2016	
	Actual	Budget	Actual	Prior Year	Budget
Metrorail	55,094	55,915	48,768	-11%	-13%
Metrobus	34,263	36,289	32,142	-6%	-11%
MetroAccess	583	597	595	2%	0%
System Total	**89,940**	**92,801**	**81,504**	**-9%**	**-12%**

YTD	FY2015	FY2016		Variance FY2016	
	Actual	Budget	Actual	Prior Year	Budget
Metrorail	206,396	209,897	191,348	-7%	-9%
Metrobus	132,902	140,122	127,432	-4%	-9%
MetroAccess	2,235	2,335	2,281	2%	-2%
System Total	**341,533**	**352,354**	**321,060**	**-6%**	**-9%**

Operating Revenue

FY2016 Ridership and Revenue Through Q4

Mode	Measure	Budget	Actual	Variance
Rail	Ridership	210 million	191 million	⇩
	Revenue	$632 million	$574 million	⇩
Bus	Ridership	140 million	127 million	⇩
	Revenue	$157 million	$141 million	⇩
Access	Ridership	2.3 million	2.3 million	⇔
	Revenue	$9 million	$9 million	⇔
Parking	Revenue	$49 million	$45 million	⇩
Non-Passenger *	Revenue	$79 million	$82 million	⇧

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

Operating Expense

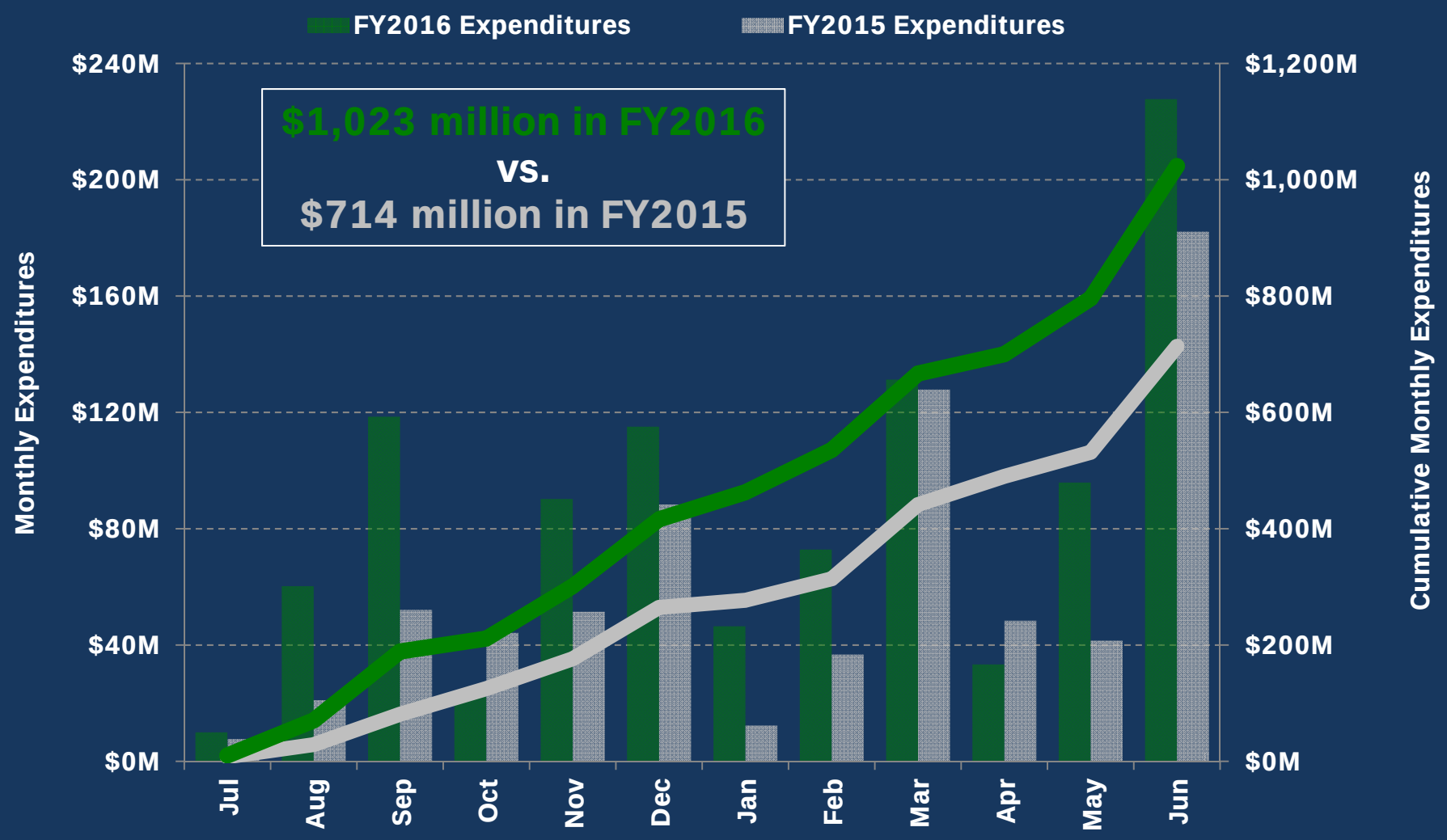
FY2016 Operating Expenses Through Q4

Expense Category		Budget	Actual	Variance
Labor	Salaries, Wages and Fringe	$1,300 million	$1,268 million	↓
Non-Labor	Fuel, Propulsion and Utilities	$135 million	$109 million	↓
	Services	$220 million	$204 million	↓
	Materials and Supplies	$94 million	$106 million	↑
	Insurance and Other	$34 million	$29 million	↓
Total Operating Expenses		$1,783 million	$1,716 million	↓

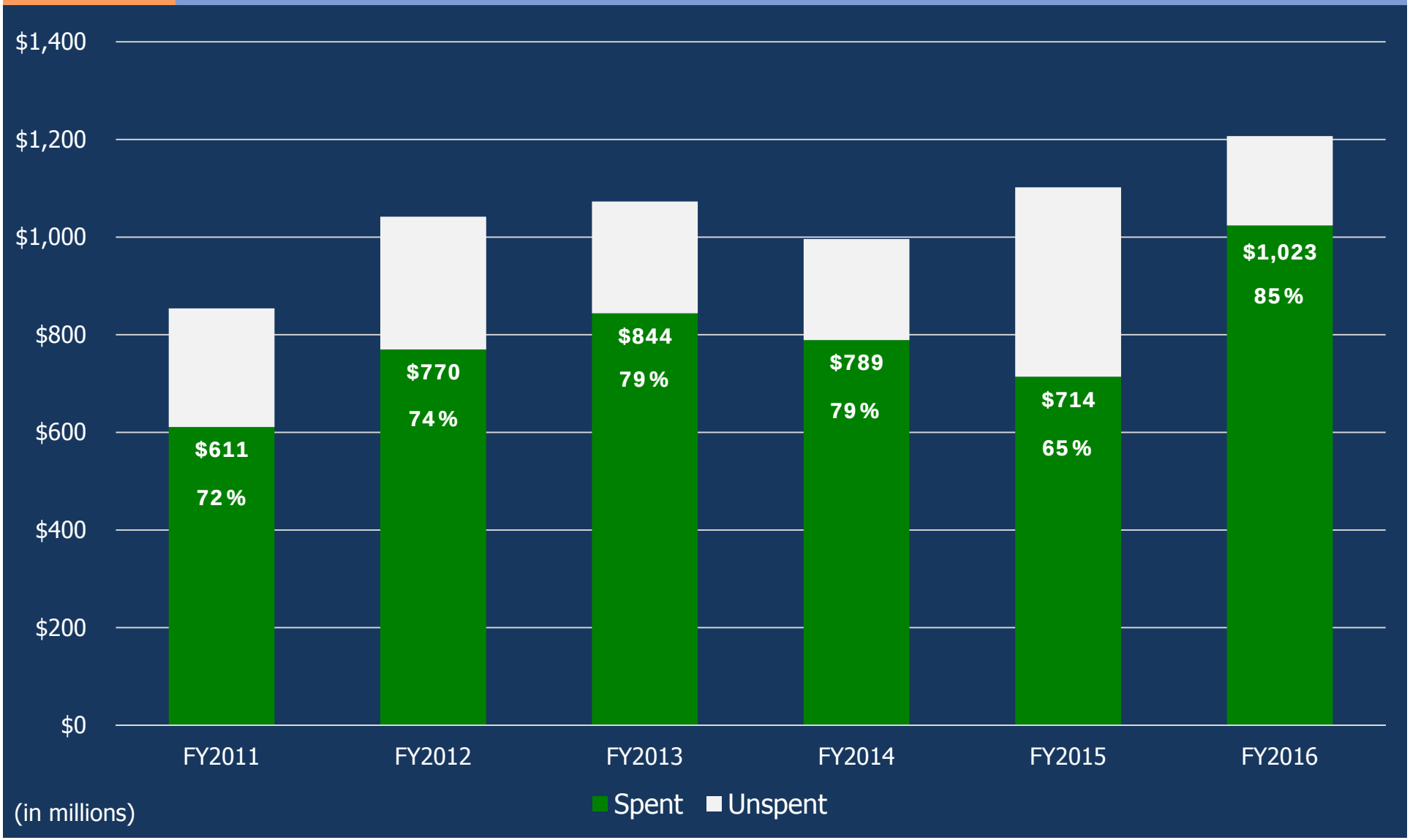
SafeTrack Impact

- Capital expenditures on Surges 1 and 2 totaled approximately $12 million
- Surge 1 and most of Surge 2 occurred in June – caused additional $5 million of revenue loss in FY2016, in line with expectations
- For line segment shutdowns, ridership drops of 50-80% at directly affected stations
- SafeTrack will continue to depress rail ridership and fare revenue throughout FY2017 – some riders slow to return after surge is completed

FY2016 Capital Investment



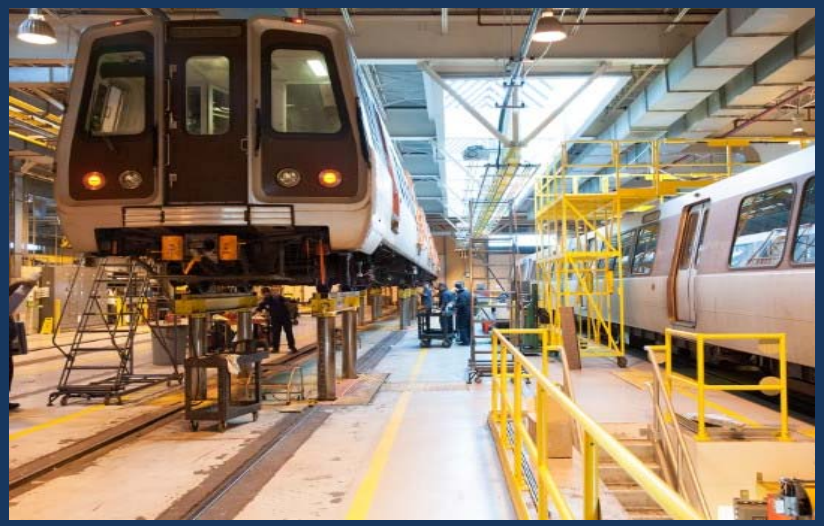
CIP Investment FY2011-2016



Railcars

Acquisition, Maintenance, Overhaul and Facilities

Planned FY16 Investment	$328M
Actual FY16 Investment	$301M
Spending Rate	92%



FY2016 Highlights

- Final options for new 7000-Series railcars exercised
- 16 new railcars delivered each month in May and June, total of 140 new railcars in revenue service as of 6/30
- 42 of the 1000-Series railcars retired as of 6/30
- Test track opened, started facilities consolidation project at Good Luck Road

Rail Systems

Propulsion and Signals & Communication

Planned FY16 Investment	$123M
Actual FY16 Investment	$74M
Spending Rate	60%

FY2016 Highlights

- Initiated upgrades on six tie breaker stations (to be completed in early FY2017), continued "orange boot" replacements (all underground replacements complete)
- Procurement process delays resulted in lower spending rate
- Continued work on GRS track circuits, Comprehensive Radio Communications System and ATC state of good repair

Track & Structures Rehabilitation

Fixed Rail, Structures and Track Maint. Equipment

Planned FY16 Investment	$119M
Actual FY16 Investment	$109M
Spending Rate	91%

FY2016 Highlights

- SafeTrack accelerating three years of work into one: switch and crosstie replacement, insulator renewal, power cable inspection/repair, joint elimination, grout pad renewal
- Structures: restoring tunnel liners, leak mitigation, began project to reinforce a structural beam at Farragut North

Bus & Paratransit Vehicles

Acquisition, Maintenance, Overhaul and Facilities

Planned FY16 Investment	$320M
Actual FY16 Investment	$271M
Spending Rate	85%

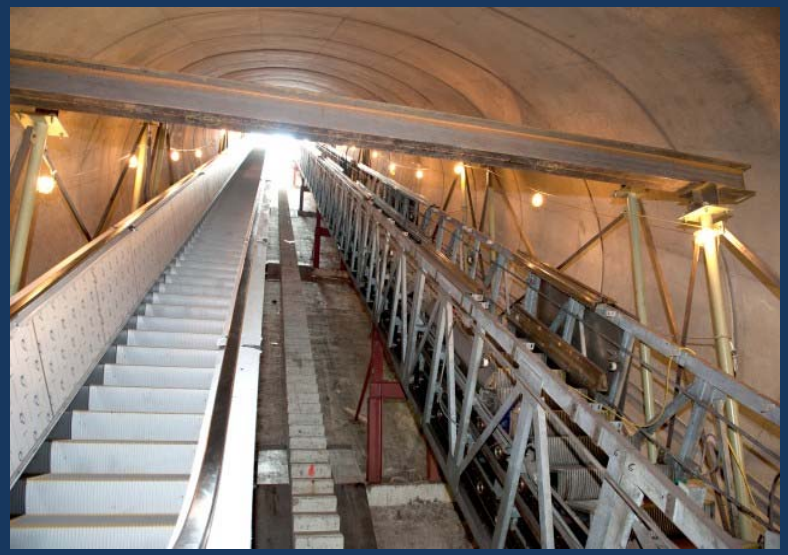
FY2016 Highlights

- 192 new buses delivered, 100 buses overhauled
- Paratransit vehicle delivery delayed to FY2017
- Work continuing on new Andrews and Cinder Bed facilities
- TIGER-funded improvements at Pentagon and Franconia-Springfield

Stations & Passenger Facilities

Platforms, Vertical Transportation, Fare Collection

Planned FY16 Investment	$222M
Actual FY16 Investment	$183M
Spending Rate	82%



FY2016 Highlights

- Continued work on Orange/Blue Line rehabilitation – platforms, structures, AC rooms
- 14 elevators rehabilitated
- 19 escalators replaced and 18 escalators rehabilitated
- Initiated state-of-good-repair and modernization effort for fare collection system

Business Support

IT, Transit Police and Support Services

Planned FY16 Investment	$96M
Actual FY16 Investment	$85M
Spending Rate	89%

FY2016 Highlights

- $60 million invested in IT systems – financial, human capital, procurement, asset management, customer relationship, vendor management
- Upgrades to MTPD training and special operations facilities
- Pilot sustainability projects – energy use monitoring and audit, efficient LED lighting, reduced water usage

Next Steps

- **November 2016**: FY2017 First Quarter Financial Report