

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

Action Information

MEAD Number:
202198

Resolution:
 Yes No

TITLE:

FY2021 Budget Update and FY2022 Outlook

PRESENTATION SUMMARY:

Staff will provide an updated budget scenario for FY2021 considering the continued effects of the Covid-19 pandemic and the protracted recovery. Due to these impacts to revenues and expenses and the need to balance the budget, staff will recommend additional changes to the FY2021 budget. In addition, staff will provide a preliminary outlook for FY2022.

PURPOSE:

Request Board approval of restarting bus fare collection in January 2021, defer capital projects, and authorization to hold a public hearing on service changes needed to balance the budget due to the effects of the Covid-19 pandemic on revenues and expenses. In addition, staff will present the preliminary outlook for the FY2022 budget.

DESCRIPTION:

Identification of Parties with an interest in Metro's budget:

The following list includes Metro's top non-personnel multi-year contractors through FY2021 and to date (\$500 million) as well as the Metropolitan Washington Airports Authority (MWAA). Some vendors have contracts spanning through FY2022 as well.

- Kiewit Infrastructure Company
- Kawasaki Rail Car Inc
- PNC Bank National Association
- SunTrust Bank
- C3M Power Systems, LLC
- Transdev Services, Inc.
- Gannett Fleming-Parsons Joint Venture II
- Mott MacDonald I&E, LLC
- New Flyer of America, Inc.
- Bank of America NA
- Wells Fargo Commercial Services
- Clerk, U.S. Court
- Motorola Solutions Inc.
- M.C. Dean, Inc.
- Mythics, Inc.
- Potomac Yard Constructors
- First Transit, Inc.
- Diamond Transportation Service, Inc.

- Dell Marketing LP
- HNTB Corporation
- Metropolitan Washington Airports Authority (MWA)

A full list of Procurement Awards is available at:

<https://www.wmata.com/business/procurement/solicitations/index.cfm#main-content>

Metro has labor agreements with the following collective bargaining units:

- Fraternal Order of Police/Metro Transit Police Labor Committee, Inc. (FOP)
- The Office and Professional Employees International Union Local No.2, AFL- CIO (Local 2)
- Local Union 689 of the Amalgamated Transit Union, AFL-CIO (Local 689)
- Local 639, International Brotherhood of Teamsters Law Enforcement Division (Local 639)
- Local 922, International Brotherhood of Teamsters (Local 922)

Key Highlights:

FY2021:

- As a result of the Covid-19 impact on decisions by local governments, school districts, businesses, and individual riders, the ridership outlook for the remainder of FY2021 is much lower than was assumed in the May approved budget.
- At the current burn rate, CARES Act funds will not support the full fiscal year
- The expected budget gap, absent additional federal assistance or a significant improvement in ridership, is expected to total as much as \$212 million by the end of FY2021
- Board action is needed in September to execute changes in December to achieve the necessary level of savings to continue operating through the end of FY21
- To offset these budget pressures, staff proposes \$43 million of Management initiatives
- Staff identified \$30 million of potential FY2021 capital program deferrals that will not have an impact on safety or state of good repair efforts
- Board actions of up to \$169 million are required to balance the budget

FY2022

- Covid-19 will continue to impact revenue and expenses
- Revenues are estimated to be as much as \$569 million below pre-Covid-19 levels
- Labor/other expenses and legislative exclusions are estimated to reach \$50 million and \$40 million respectively
- The potential funding gap is estimated to total up to \$793 million
- \$72 million of Management actions are proposed to help close the funding gap
- Up to \$716 million of Board approved actions will be required to close the funding gap for FY2022

Background and History:

On April 2, 2020, the Board approved the FY2021 Budget which included a \$2.08 billion operating budget and total subsidy requirements of \$1.25 billion. The original budget was developed prior to the effects of the Covid-19 pandemic. As a result, the Board revised the FY2021 operating budget on May 28, 2020 to \$2.052 billion and total subsidy requirements to \$1.12 billion. The amended budget deferred implementation of

the previously approved service and fare adjustments for six months, took additional management actions to reduce expenses, and provided a one-time credit that reduced jurisdictional subsidy contributions by \$135 million. These actions were taken to ensure the Authority balanced its budget amidst a greatly reduced ridership outlook and constrained funding environment.

Discussion:

Covid-19 impacts on Metro's FY2021 financials are more severe than originally projected. Since May, the persistence of Covid-19 has impacted ridership growth. Jurisdictions have exhibited varying reopening phases, distance learning and telework have broadly continued, and sports and entertainment events are being held without fans. These factors have heavily suppressed revenue and ridership. CARES Act funding, replacing lost fares, will run out this fiscal year. As a result, the GM/CEO is requesting Board action to achieve a six-month expense savings as a prelude to discussion of policy options and pressures that will shape the FY2022 Budget. Metro's ridership and associated revenues have seen significant declines in late FY2020 with Metrorail and Metrobus ridership decreasing by around 88 percent combined year-over-year during the fourth quarter. Metro's recovery, like that of the overall region, is expected to be gradual as economic activity begins to be restored in phases.

The current FY2021 budget projected ridership would recover to 48 percent of pre-Covid-19 levels overall for the year. The likely scenario now estimates a ridership recovery of 20 percent for FY2021. Revenue expectations vary in proportion to the ridership recovery scenario and are subject to the re-establishment of bus fare collection which was budgeted to return in Q4. The resulting revenue scenario is 17 percent below the revised FY2021 budget for a revenue shortfall of \$203 million. With additional Covid-19 related expenses of approximately \$9 million, the total operating budget gap is expected to be \$212 million.

To meet these anticipated shortfalls, the GM/CEO is proposing \$43 million of management actions to reduce FY2021 expense, in addition to the \$45 million included in the amended FY2021 budget. The actions include seeking greater contracting efficiencies, eliminating runners who assist station managers, reducing station managers to one per station, as well as non-represented employee performance pay deferral, furloughs and layoffs. However, the updated budget funding gap cannot be closed based on management actions alone and additional Board actions are required to ultimately balance the budget in FY2021. The additional Board actions needed to close the gap total \$169 million and would need to be implemented in January to achieve the necessary savings.

Approximately \$139 million in cost savings would need to come from service reductions and fare adjustments. FY2021 service reduction options for Board consideration include:

- Metrorail
 - Standardize weekday rail frequency to 12 minutes on each line
 - Reduce number of trains/operators by shortening trips where possible (i.e. "turnbacks" on Red and Yellow Lines)

- Close at 9 pm Sun-Thu (Retain 11 pm Fri - Sat)
- Start Silver Line Phase 2 Opening July 1, 2021
- Metrobus
 - Maintain the current August Service Plan, instead of adding more later in FY21, as originally planned

In addition, Board approval to restore Bus Fare Collection starting in January 2021 is requested to generate at least \$5 million in fare revenue in FY2021 and to help close the overall funding gap. Restoring fare collection on bus is consistent with actions taken by other peer transit agencies. Additionally, to aid with safety, Metrobus vehicles are equipped with panels at the operator's seat. Returning to front-door boarding would also allow more riders to board with increased seat availability, and consequently, increase social distancing space.

The \$1.8 billion FY2021 Capital Improvement Program is underway. The program prioritizes safety, reliability, and state of good repair and addresses critical needs such as platform reconstruction, track rehabilitation, bus and railcar replacement and renewal and bus garage construction. Customers and workers have seen improved safety and reliability in recent years thanks to investment through these programs and projects.

Staff has identified \$30 million of potential FY2021 capital program deferrals that will not have an impact of safety or state of good repair efforts. While these projects are necessary and need to be advanced during the six-year period, the risks of near-term deferral are minimal. Potential deferrals include:

- Replacement Data Center – Delay IT equipment acquisition
- ERP System Replacement – Defer project initiation
- Station Modernization – Defer installation of some digital screens
- MTPD District III Substation – Delay construction
- Future Station Improvement Projects – Defer planning and development

The effects of the pandemic are expected to continue to impact the region through FY2022. Current ridership scenarios estimate that the system will recover 25 to 50 percent of pre-Covid-19 ridership levels. Despite the mild improvement in ridership outlook from FY2021, the FY2022 funding gap is expected to be significantly larger due to expense growth, lack of fare revenue, and no additional Federal support. Further actions will be needed to balance the budget, in light of a potential funding gap of \$469 to \$658 million. Additionally, should the funding jurisdictions not fully fund the FY2022 operating subsidy at its FY2021 pre-credit funding level, the gap would further increase by \$135 million for a total gap ranging from \$604 million to \$793 million.

While proposed reductions to the FY2021 budget, when annualized, would result in total savings of \$329 million in FY2022, additional action will be needed to fully address Metro's funding gap based on the FY2022 scenarios.

FUNDING IMPACT:

Board action is needed to close the budget gap for FY2021.

TIMELINE:

Previous Actions	April 2020 – Original FY2021 Budget Approved by Board of Directors May 2020 – Revised FY2021 Operating Budget Approved by Board of Directors
Anticipated actions after presentation	Public hearing on FY2021 Proposed Service Changes

RECOMMENDATION:

Board approval to resume fare collection on Metrobus in January and authorize a public hearing on proposed service changes to take effect in December.

SUBJECT: APPROVAL OF REINSTATEMENT OF METROBUS FARE COLLECTION AND FRONT DOOR BOARDING AND AUTHORIZATION OF PUBLIC HEARINGS ON PROPOSED SERVICE CHANGES FOR FISCAL YEAR 2021

RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WHEREAS, Pursuant to WMATA Compact § 60, the Board of Directors has sole authority over fares to be charged by WMATA; and

WHEREAS, Compact § 62 requires the Board to conduct public hearings prior to implementation of a major service reduction; and

WHEREAS, In Resolution 2020-08, the Board waived for 60 days the payment of all fares on Metrobus, including cash payments, and required rear-door only boarding and exiting, except for customers who use wheelchairs who will continue to board via the wheelchair lift at the front door; and

WHEREAS, In Resolution 2020-19, the Board extended the fare waiver and rear-door boarding for the duration of the coronavirus pandemic health emergency or until the General Manager and Chief Executive Officer (GM/CEO) recommends reinstatement of fare collection and front door boarding on Metrobus; and

WHEREAS, The GM/CEO now recommends reinstatement of fare collection and front door boarding and multi-door exiting on Metrobus; and

WHEREAS, The Board seeks public comment on implementation of proposed major service changes to Metrorail and Metrobus as shown in Attachments A and B;

NOW, THEREFORE, be it

RESOLVED, That effective January 1, 2021, the Board of Directors reinstates Metrobus fare collection, including cash payments, and front door boarding and multi-door exiting; and be it further

RESOLVED, That the Board of Directors authorizes staff to conduct Compact public hearings on proposed Metrorail and Metrobus service changes as more fully detailed in Attachments A and B; and be it further

RESOLVED, That subject to the Board of Directors' actions on the Staff Report from this public hearing, it is expected that the revised fiscal year 2021 budget will be reduced by certain management actions, approved service changes, and deferred capital projects with no expected change to jurisdictional subsidy payments; and be it finally

RESOLVED, That in order to conduct a public hearing and allow public participation on proposed service changes as soon as possible, this Resolution shall take effect immediately.

Reviewed as to form and legal sufficiency,

/s/ Patricia Y. Lee
Patricia Y. Lee
Executive Vice President and General Counsel

WMATA File Structure Nos.:
9.12.9 Tariff (WMATA Fare Structure)
18.8 Public Hearings and Meetings

Attachment A

Proposed Metrorail Service Changes

1 Operate Saturday Headways on Weekdays

Blue, Orange, Green, Yellow and Silver Line weekday headways would increase from 8 minutes to 10 minutes during peak periods, and weekday off-peak headways would be reduced from 15 minutes to 12 minutes.

Red Line weekday headways change from 5 minutes to 6 minutes all day.

2 Implement Turnbacks on the Red Line

On weekdays only, 50 percent of Red Line trips operate between Grosvenor-Strathmore and Silver Spring only

3 Implement Turnbacks on the Yellow Line

All Yellow Line trains operate between Huntington and Mt. Vernon 7-days per week.

4 Close Rail Earlier Sunday Through Thursday

The Metrorail system would close at 9 pm Sunday through Thursday instead of 11 pm; Friday and Saturday closure would remain at the current 11 pm.

Attachment B

Proposed Metrobus Service Changes

Discontinue Late Night Service

All trips (on all lines) starting after 12 am will be discontinued

Saturday and Sunday span will be reduced (in excess of the systemwide 12 am cut-off) on the following lines:

K12 – Forestville

G12, G14 – Greenbelt-New Carrollton

H11, H12, H13 – Marlow Heights-Temple Hills (see also frequency reductions)

R1, R2 – Riggs Road

K6 – New Hampshire Avenue-Maryland (see also Saturday/Sunday frequency reductions)

Saturday and Sunday frequency will be reduced on the following lines:

23A, 23B, 23T – McLean-Crystal City

K6 – New Hampshire Avenue-Maryland (see also Saturday/Sunday span reductions)

Y2, Y7, Y8 – Georgia Avenue-Maryland

Saturday and Sunday service will be discontinued on the following lines:

M6 – Fairfax Village

30N, 30S – Friendship Heights-Southeast

NH2 – National Harbor-Alexandria

V12 – District Heights-Suitland (discontinue Sunday service only, Saturday service will still operate)

T14 – Rhode Island Avenue-New Carrollton (discontinue Sunday service only, Saturday service will still operate with a reduced span)

Z6 – Calverton-Westfarm

Weekday span will be reduced (in excess of the systemwide 12am cut-off) on the following lines:

89, 89M – Laurel

T2 – River Road

Frequencies will be reduced on the following lines:

42,43 – Mt. Pleasant

74 – Convention Center-SW Waterfront

D4 – Ivy City-Franklin Square

E4 – Military Road-Crosstown

H2, H3, H4 – Crosstown

D8 – Hospital Center
H6 – Brookland-Fort Lincoln
H8, H9 – Park Road-Brookland
U4 – Sheriff Road-River Terrace
U5, U6 – Marshall Heights
U7 – Deanwood–Minnesota Avenue
W2, W3 – United Medical Center-Anacostia
W6, W8 – Garfield-Anacostia Loop
D6 – Sibley Hospital-Stadium Armory
2A – Washington Blvd.-Dunn Loring
3A – Annandale Road
5A – DC-Dulles
22A, 22C, 22F – Barcroft-South Fairlington
MW1 – Metroway-Potomac Yard
C11, C13 – Clinton
H11, H12, H13 – Marlow Heights-Temple Hills (see also Saturday/Sunday span reductions)
F12 – Ardwick Industrial Park Shuttle
F8 – Langley Park-Cheverly
F13 – Cheverly-Washington Business Park
83, 86 – College Park
C8 – College Park-White Flint
F6 – New Carrollton-Fort Totten
Z2 – Colesville-Ashton
J4 – College Park-Bethesda
L8 – Connecticut Avenue-Maryland
J1, J2 – Bethesda-Silver Spring
Q1, Q2, Q4, Q5, Q6 – Viers Mill Road

Weekday frequencies will be reduced and service will be discontinued on Saturdays and Sundays on the following lines:

D2 – Glover Park-Dupont Circle
G2 – P Street-LeDroit Park
62,63 – Takoma-Petworth
E2 – Ivy City-Fort Totten
X8 – Maryland Avenue
C12, C14 – Hillcrest Heights
R12 – Kenilworth Avenue
R4 – Queens Chapel Road

The following lines will be discontinued:

37 – Wisconsin Avenue Limited

D1 – Glover Park-Franklin Square
D5 – Macarthur Blvd.-Georgetown
E6 – Chevy Chase
H1 – Brookland-Potomac Park
S1 – 16 th Street-Potomac Park
B8, B9 – Fort Lincoln Shuttle
G9 – Rhode Island Avenue Limited
V1 – Benning Heights-M Street
X1, X3 – Benning Road
39 – Pennsylvania Avenue Limited
A9 – Martin Luther King Jr. Ave. Limited
W1 – Shipley Terrace-Fort Drum
3T – Pimmit Hills
3Y – Lee Highway-Farragut Square
15K – Chain Bridge Road
26A – Annandale-East Falls Church
16L – Annandale-Skyline City-Pentagon
16Y – Columbia Pike-Farragut Square
29W – Braeburn Drive-Pentagon Express
7C,7P – Park Center-Pentagon
8S, 8W, 8Z – Foxchase-Seminary Valley
11Y – Mt. Vernon Express
18G, 18H, 18J – Orange Hunt
21A, 21D – Landmark-Bren Mar Park-Pentagon
28F, 28G – Skyline City
B29 – Crofton-New Carrollton
C28 – Pointer Ridge
87 – Laurel Express
B30 – Greenbelt-BWI Airport Express

Modifications are proposed to the following lines as follows:

L1, L2 Connecticut Avenue

- Discontinue all service on route L1
- Reduce frequency weekdays and weekends on route L2

N2, N4, N6 Massachusetts Avenue

- Discontinue all service on routes N2, fN4
- Add route N6 trips all day on weekdays
- Reduce frequency weekdays and weekends

60, 64 Fort Totten-Petworth

- Discontinue all service on route 60
- Reduce frequency weekdays and weekends on route 64

<p>96, 97 East Capitol Street-Cardozo</p> <ul style="list-style-type: none"> - Discontinue all service on route 97 - Operate route 96 to Capitol Heights Station at all times
<p>V7, V8 – Benning Heights-Alabama Avenue</p> <ul style="list-style-type: none"> - Discontinue all service on route V7 - Reduce frequency on weekdays
<p>1A, 1B Wilson Blvd.-Vienna</p> <ul style="list-style-type: none"> - Discontinue all service on route 1B
<p>1C – Fair Oaks-Fairfax Blvd.</p> <ul style="list-style-type: none"> - Eliminate route segment between Fair Oaks Mall and Alliance Drive - Reduce frequency on weekdays
<p>2B – Fair Oaks-Jermantown Road</p> <ul style="list-style-type: none"> - Eliminate route segment between Fair Oaks Mall and Alliance Drive - Reduce frequency on weekdays
<p>4A, 4B – Pershing Drive-Arlington Blvd.</p> <ul style="list-style-type: none"> - Discontinue all service on route 4A - Reduce frequency on Saturdays & Sundays
<p>16A, 16C, 16E - Columbia Pike</p> <ul style="list-style-type: none"> - Eliminate route 16C route segment between Pentagon and Downtown DC - Reduce frequency on Saturdays & Sundays
<p>7W – Lincolnia-Pentagon</p> <ul style="list-style-type: none"> - Discontinue entire line - Add new route 7A,7F to Lincolnia during weekday peak periods
<p>10A, 10E, 10N – Alexandria-Pentagon</p> <ul style="list-style-type: none"> - Discontinue all service on routes 10E & 10N
<p>17G, 17H, 17K, 17L – Kings Park Express</p> <ul style="list-style-type: none"> - Discontinue all service on routes 17K & 17L
<p>29C, 29G – Annandale</p> <ul style="list-style-type: none"> - Discontinue all service on route 29C
<p>P18, P19 – Oxon Hill-Fort Washington</p> <ul style="list-style-type: none"> - Discontinue all service on route P19 - Reduce frequency
<p>C21, C22, C26, C29 – Central Avenue</p> <ul style="list-style-type: none"> - Eliminate route C29 route segment between Pointer Ridge and Bowie State University
<p>K9 – New Hampshire Avenue MD Limited</p> <ul style="list-style-type: none"> - Discontinue entire line - Add new route K6 trips during weekday peak periods to improve frequency