

TESTIMONY FOR RICHARD SARLES
Before the
Council of the District of Columbia's Committee on Government Operations
April 18, 2012

Good morning Chairperson Bowser and other members of the Committee. I am Richard Sarles, General Manager and Chief Executive Officer of the Washington Metropolitan Area Transit Authority (WMATA). I appreciate the opportunity to appear before you today to discuss Metro's fiscal year 2013 budget request.

Joining me today are Carol Kissal, Deputy General Manager for Administration and Chief Financial Officer; Jack Requa, Assistant General Manager for Bus and Deputy Police Chief Leslie Campbell.

As I reported to this Committee in February, thanks to the hard work of our employees, we are making progress. We are delivering real improvements in safety, state of good repair, financial stability and customer service. Going forward, my focus will remain firmly fixed on these priorities. My budget proposal for the coming year leverages our recent accomplishments to accelerate delivery of these objectives. We still have a long way to go, but are making real progress.

I'd like to take a moment to mention the important contribution that our customers have made to the budget development process this year. Our unprecedented outreach efforts to gather input on both our budget proposal and fare adjustment have provided valuable information that, as you know, assists in guiding both Metro's Board of Directors and our priorities for fiscal year 13.

We received 4,212 total comments from customers, including 124 at public hearings, 92 in writing, 23 Metro Access Open Forum comments and 3,652 on-line survey participants. The six public hearings were attended by 270 members of the public. We are grateful for the extra effort those citizens made to take time to attend the hearings, and want to thank you especially for serving as the hearing officer at our Anacostia hearing. Similar to the hearings, during the outreach period, customers also took advantage of an online survey to provide their opinion on our budget priorities including support services, system improvements, capital improvements and our Metro Forward campaign.

I'd like to now provide you with an overview of the proposed budget.

In fiscal year 2013, a total of \$2.6 billion is required for Metro's combined budget. \$1.6 billion of that supports operations; \$93 million is dedicated to the reimbursable project budget; and \$938 million funds the capital budget. The proposed \$2.6 billion combined budget includes

all operating, capital, and debt services requirements of Metro from July 1, 2012 through June 30, 2013.

Proposed operating budget

Metro's proposed fiscal year 13 operating budget continues today's Metrobus, Metrorail, and MetroAccess service across the national capital region and very importantly, it will allow for the continued rebuilding and safety work underway. Additionally, the budget allows us to enhance service to our customers by:

- Continuing work to comply with NTSB requirements
- Advancing our worker fatigue management program
- Preparing for Silver Line service
- Expanding rail rush hour service through our Rush+ service
- Improving equipment maintenance
- Increasing escalator preventive maintenance
- Adding more police officers
- Continuing our terrorism prevention team
- And of particular importance to the District, enhancing our priority bus corridors, including service enhancements along 16th Street, and ML King, Wisconsin, Pennsylvania, and Georgia avenues and the 90 Line. In addition, nine completed or in-progress studies, which include those for the 14th Street and A Lines, recommend signal priority, enhanced bus stops, real time rider information, and additional signage.

The \$1.6 billion proposed fiscal year 2013 operating budget is funded with passenger fares and parking revenue (52 percent), state and local subsidy contributions (45 percent) and other revenue sources (3 percent). Federal dollars do not support the operating budget.

The fiscal year 2013 operating budget represents an eight percent, or \$111 million increase over approved fiscal year 2012 levels. About half of the increase supports continuation of existing service levels. The remainder (\$55 million) provides \$20 million to prepare for Silver Line service and \$35 million funds other service improvements, which I will discuss in a few minutes.

Labor related costs consume of 70 percent of the operating budget, and about 47 percent of the increase in total cost, year-over-year, is labor related. There is no funding provided for wage increases in the fiscal year 13 operating budget. As I have stated previously, any wage changes for employees will depend upon employees identifying further cost savings.

The budget development process is on-going. The Metro Board is considering options to balance the budget with contributions from both our funding jurisdictions and riders. As we reported in last week's Board Finance Committee meeting, our original budget increase of \$119 million has been reduced to \$109 million through improved ridership projections, additional costs savings identified by Metro staff and the March Board decision to fund Rush Plus bus service from fiscal year 2011 budget surplus.

At the Metro Board Finance committee meeting last Thursday, I recommended to the Board a set of fare increases consistent with their Fare Policy Principles adopted in 2010 and Title VI requirements. Highlights of the changes include an increase in peak period fares by 5.7% with a maximum fare of \$5.75; better alignment of off peak fares with peak fares; elimination of the peak-of-the-peak surcharge; and a new 28-day pass. Metro Bus regular fares will increase by 10 cents. As one of our Board members pointed out during the Finance Committee meeting last week, Metro still has some of the lowest bus fares in the country. MetroAccess fares will remain capped at \$7.00 and parking fees will increase by 25 cents.

The District of Columbia's share of the total operating subsidy is \$266 million, or about 37 percent of the total. This level of funding will support 650 buses that operate on 114 bus routes and 71 bus lines in the District of Columbia. It will also cover the District's share of Metrorail operating cost and the MetroAccess program. In addition, it covers DC's portion of Metro's Debt Service.

Proposed capital budget

Metro's \$5.6 billion multiyear capital improvement program is dedicated to addressing prioritized safety, reliability and state of good repair needs. The fiscal year 2013 capital budget represents a nearly \$1 billion snap-shot in time towards achieving those objectives. Federal grants fund 48 percent of these costs; our state and local partners contribute 45 percent; and the balance is provided principally through reimbursable contracts.

The District of Columbia will provide \$139 million, or a 36 percent share of the total capital contribution by jurisdiction partners.

Last year the Board gave me new tools to help manage the program. One of those tools allows me to approve budget movement between capital projects. We have used this tool to great advantage, deferring projects that have experienced delays and accelerating work on other

projects. Work on a host of projects from critical repairs on the Red Line, particularly in the Dupont to Silver Spring segment, to station coolers to improve the customer experience is being advanced. It has also spurred new projects that enable us to advance our ability to accept credit card payments at parking facilities. All of these projects will be completed ahead of schedule this year.

We have recently realized improved efficiencies in managing the part of the capital program dedicated to rail line rehabilitation, specifically in the Dupont to Silver Spring segment. In the District we completely replaced three escalators at Foggy Bottom, rehabilitated seven at Union Station, three at Dupont Circle, three at Farragut North, one at Federal Center Southwest, five at Gallery Place and three at Judiciary Square.

We have performed considerable work at Union station, including upgrading the public address system, installing a new uninterruptible power system, replacing the air conditioning system and installing new suspended ceilings in the station.

We have completely replaced the ventilation and exhaust fans at Farragut North, Judiciary Square and Union Station.

Consistent with ADA requirements, we have installed new bumpy tiles at our Tenleytown and Dupont Circle stations.

The Rhode Island Avenue station has received new signage and canopy Skylights.

The construction of a new Leed Silver Bus Maintenance and Storage facility is nearly completed on Shepherd Parkway. In partnership with the District, Metro is extending the compressed natural gas fuel line to DC-owned property next to our facility, where the District will erect a CNG pumping station to fuel its vehicles.

We have completed strategic repairs to the Northern Bus Division which will extend the life of the facility for five years.

Looking ahead, we will continue our accelerated program. Some of the project highlights we forecast for the coming year include:

- Move to production of 7000-series railcars
- Complete installation of rollback protection on the 5000-series railcars
- Start installation of emergency door releases on the 4000 and 5000-series railcars

- Continue the Elevator and Escalator rehabilitation and replacement program
- Open the new Shepherd Parkway Bus Garage
- Complete new signage at Dupont Circle; Farragut North; Metro Center; Gallery Place; Judiciary Square; Union Station; Brookland; Fort Totten and Takoma Park stations; and Complete new skylights at Brookland and Fort Totten stations
- Begin work on the new test track and commissioning facility; the MTPD District II facility; and replacement of Southern Avenue Bus Garage
- Continue the design and submittal process for the Rehabilitation of the Orange and Blue Line Project
- Continue construction for Rehabilitation of Deanwood Station Aerial Structures
- Begin replacement of Under Platform Ductwork at Potomac Station
- Begin construction of several projects including replacement of ADA tiles, ceilings and station domes at Stadium Armory Station and Potomac Avenue Stations.
- Complete fabrication of kiosks for replacement and enlargement of kiosks in 2012
- Started construction for the replacement of ventilation and exhaust fans along the Blue and Orange Lines
- Complete fabrication and delivery of two portable generators

I want to thank you again for the opportunity to appear today. I also want to thank you, Mayor Gray and the entire Council for your continued support of Metro.

When I appeared before the Committee in March, I shared my concern about the possible loss of federal funding and the serious affect that action would have on our efforts to restore the system to a state of good repair. Congress will soon be taking action on the fiscal year 13 appropriations bills. Given the increasingly difficult budget environment under which Congress is making funding decisions it is critical that the District, Maryland and Virginia continue to ask our leaders on Capitol Hill to provide the financial support needed to restore Metro to the system the citizens of the region and visitors from around the world deserve.

I would be pleased to answer your questions.