



Finance & Administration Committee

Information Item IV-D

December 1, 2011

FY2013 Preliminary Operating Budget

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

<input type="radio"/> Action <input checked="" type="radio"/> Information	MEAD Number:	Resolution: <input type="radio"/> Yes <input checked="" type="radio"/> No
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TITLE:

FY2013 Preliminary Operating Budget

PURPOSE:

To present at the Finance and Administration Committee the FY2013 preliminary operating expense budget in conjunction with a review of the budget planning initiatives, preliminary revenue forecast, and Dulles expense plan.

DESCRIPTION:

The GM will be presenting a preliminary look at the the FY2013 operating budget. The complete proposed operating budget will be delivered in January.

Based on the discussions with the Finance and Administration Committee in November and the GM/CEO's vision for Metro, a list of operating initiatives is being brought to the FA Committee. The key performance indicators of the multi-year initiatives have been outlined to define the value to Metro and the Jurisdictions if the initiatives are implemented. This value is reflected in increased security, escalator maintenance, state of good repair, and improved productivity.

In addition to the FY2013 preliminary operating expense budget, a preliminary revenue forecast will be presented. Explanations on the state of the economy and ridership trends will be discussed as basis for the forecast.

Phase 1 Dulles transition plan is also part of the presentation, specifically a review of expenses to be incurred prior to revenue operations.

FUNDING IMPACT:

No funding impact

RECOMMENDATION:

Board discussion



Washington Metropolitan Area Transit Authority

Preliminary Operating Budget

Finance and Administration Committee

December 1, 2011



Purpose

- FY2013 preliminary operating expense budget
- Review multi-year planning priorities
- Provide revenue pro forma update
- Initial review of Dulles transition plan



FY2013 Preliminary Baseline Budget

- Ensures compliance with NTSB recommendations
- Enables continuation of anti-terrorism police team previously federally-funded
- Expands rail rush hour service with the Blue/Yellow Line realignment
- Maintains bus service
- Maintains and supports new parking, bus, police and rail facilities
- Reflects ridership impact due to slow economic growth
- Assumes no wage increases above current collective bargaining agreements
- Provides for fringe benefits cost increases, fringe benefits comprise 70% of baseline budget increase



Preliminary Budget - Initiatives

Multi-Year Initiatives

- Prepare for Dulles Extension
- Increase bus security
- Increase escalator preventive maintenance and reliability
- Expand priority bus corridor network and respond to overcrowding and on-time performance concerns
- Advance worker fatigue management initiative



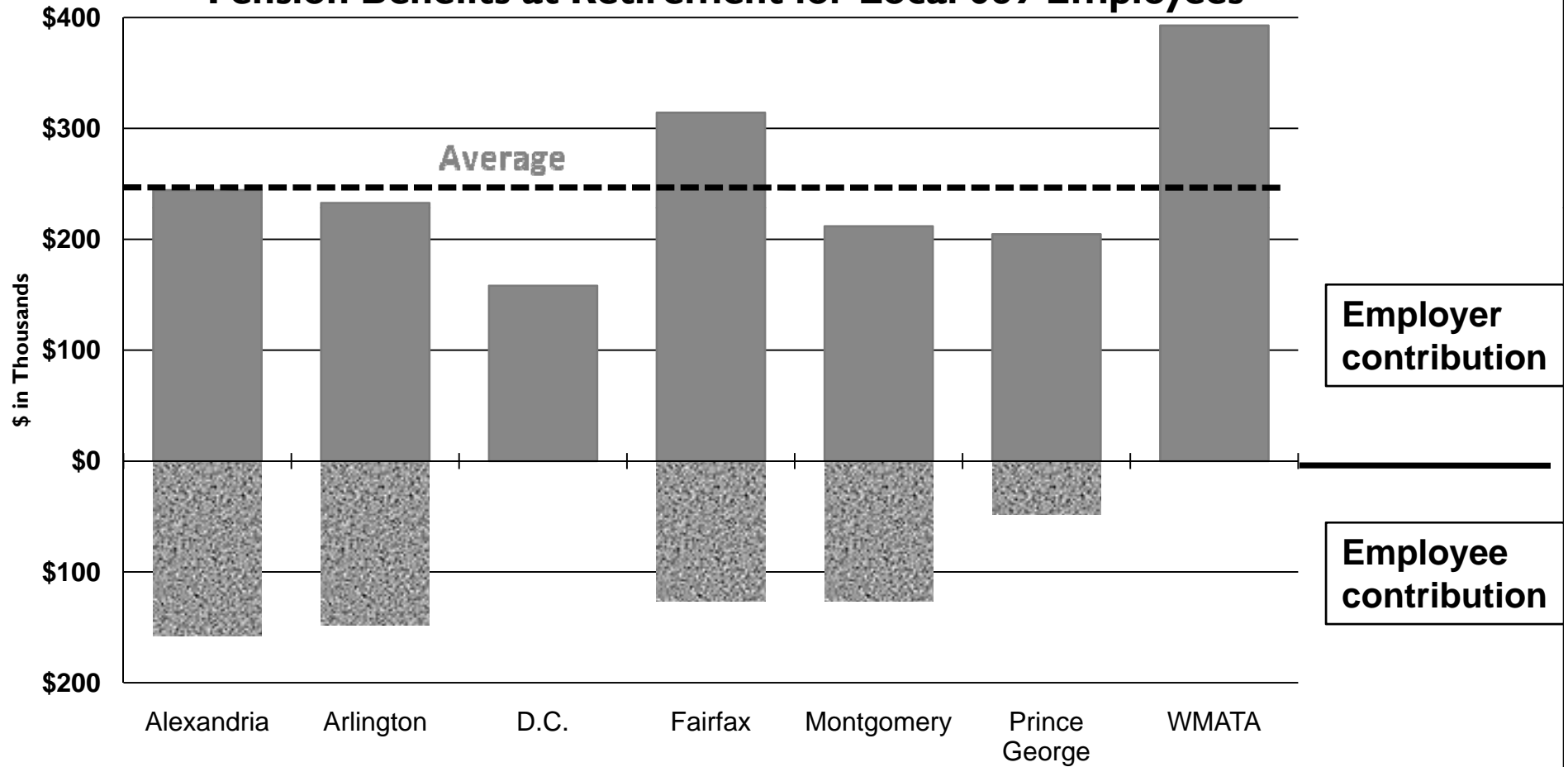
FY2013 Expense Budget - \$121 M

Preliminary Budget \$ In Millions	FY11	FY2012	Preliminary	FY2013 Preliminary	
	Actual	Budget	FY2013	vs FY2012 Budget	
			Budget	\$	%
Labor	\$ 694	\$ 710	\$ 733	\$ 22	3%
Fringe					
Health	140	\$ 142	\$ 151	\$ 9	6%
Pension	103	95	124	29	30%
Other Benefits	71	76	74	(3)	-4%
Non-personnel Expense	410	441	450	9	2%
Total Expenses	\$ 1418	\$ 1465	\$ 1531	\$ 66	5%
Multiyear Initiatives			35	35	
Dulles Transition Plan			20	20	
Preventive Maintenance	(60.7)	(30.7)	(30.7)	-	0%
Net Operating Expenses	\$ 1357	\$ 1434	\$ 1555	\$ 121	8%



Pension Benefit Comparative

Pension Benefits at Retirement for Local 689 Employees



WMATA Local 689 employee wage increase was 9% FY2010-FY2012



Initiatives – Direct Impacts to the KPIs

Initiative	Strategic Goal	Key Performance Indicator (KPI)	Target
32 police officers for bus security	Safer Organization	Crime Rate	<u>5% drop</u> in crime reported on board Metrobus by FY2014
Preventive maintenance on escalators and elevators	Quality Service	Escalator System Availability Elevator System Availability	<u>90% escalator availability</u> system-wide by FY2014 <u>97% elevator availability</u> system-wide by 2014
Bus priority corridor adjustments	Quality Service	Bus On-Time Performance (OTP)	<u>10 % increase</u> in OTP on impacted routes



Initiatives – Influencing the KPIs

Initiative	Strategic Goal and KPI	Sub-KPI Performance Measure	Target for the Performance Measure
Hours of service, productivity, and fatigue prevention	Safer Organization <ul style="list-style-type: none"> • Employee Injury Rate 	Compliance rate for maintaining 14/24 hour shift limits for ATC, Power and on-track equipment operators	<u>100 % compliance</u> in 3 rd Qtr FY2013
Rail grinding to address wheel and rail failures due to corrugation and wheel/rail conductivity	Quality Service <ul style="list-style-type: none"> • Rail On-Time Performance • Rail Fleet Reliability 	Number of speed restrictions due to corrugation Rate of wheel and rail failures due to corrugation	<u>Eliminate</u> corrugated rail speed restrictions in FY2014 <u>Reduce</u> wheel failures and rail cracks due to corrugation
Maintaining primary safety radio system and underground radio	Safer Organization <ul style="list-style-type: none"> • Employee Injury Rate • Customer Injury Rate 	Percent of area with safety radio system coverage Rate of radio incident trouble calls	<u>100 % coverage</u> for emergency responders in FY2013 <u>10% reduction</u> to incident trouble calls in FY2013



Initiatives – Influencing the KPIs

... continued

Initiative	Strategic Goal and KPI	Sub-KPI Performance Measure	Target
Maintenance and testing related to new capital investments	Safer Organization <ul style="list-style-type: none"> • Employee Injury Rate • Customer Injury Rate Quality Service <ul style="list-style-type: none"> • Rail On-Time Performance • Rail Fleet Reliability 	Rate of code compliance Frequency rate of maintenance inspections Quantity of cost avoidance	<u>100 % compliance</u> to codes <u>Sustain</u> the maintenance inspection rate <u>Increase</u> costs that are not incurred
FY2014 IT Operating costs and electronic payment program	Use Resources Wisely <ul style="list-style-type: none"> • Manage resources efficiently • Target investments that reduce costs of increase revenue 	Business continuity of systems availability Revenue generation rate	<u>Sustain</u> systems availability <u>Generate \$2.0 million</u> in FY2015 through improved payment methods and advertising, loyalty and co-branding FY15



Self-funded and cost reduction initiatives that enhance the KPIs

Initiative	Strategic Goal and KPI	Sub-KPI Performance Measure	Target
Self funded initiatives	<p>Deliver Quality Service</p> <ul style="list-style-type: none"> • MetroAccess on-time performance <p>Use Resources Wisely</p> <ul style="list-style-type: none"> • Manage resources efficiently 	<p>In-sourcing of Trapeze PASS system for MetroAccess</p> <p>Paratransit service line operating cost</p> <p>Implementation of integrated financial, HCM, and project management systems</p> <p>Transaction processing times</p> <p>Single source of financial and performance data</p> <p>System security</p> <p>Cost of software licenses and managed print and copy services</p>	<p><u>Complete</u> implementation</p> <p><u>Reduce</u> by one percent</p> <p><u>Complete</u> implementation</p> <p><u>Reduce</u> processing time (monthly close – 50%) (procure-to-pay – 25%) (general ledger entries – 25%)</p> <p><u>Create</u> single source <u>Improve</u> system security</p> <p><u>Reduce</u> costs \$1 million per year beginning in 2013</p>



Economic Outlook for DC Region

- Regional economy, heavily impacted by federal government spending, has slowed as stimulus spending winds down

“DC’s economy is at risk of dropping back into recession, as employment growth in the federal government sector has stalled... Weakening population growth and an unfavorable cost structure will also constrain DC’s potential.”

Moody’s Analytics September 2011

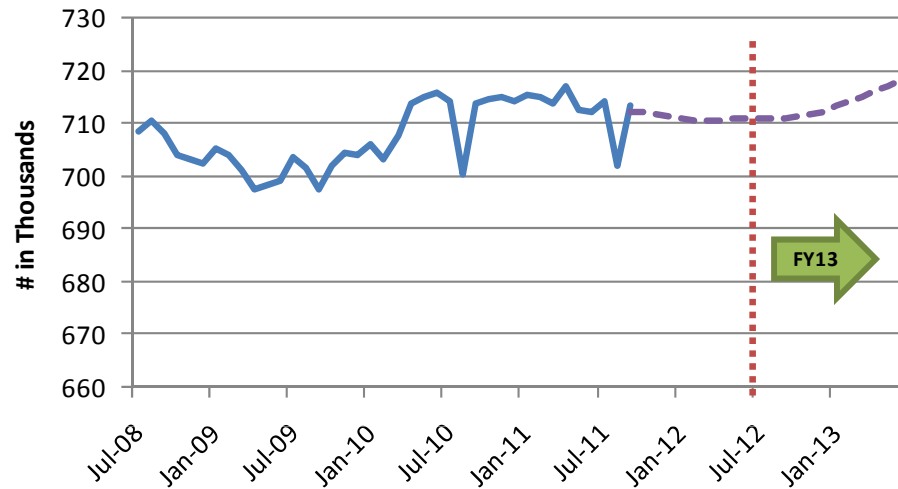
“The region’s economic exposure to Federal spending cuts would suggest perhaps even less growth going forward than the long term average... I would say that we are currently in a potential time of more uncertainty – due to debt ceiling crisis and the current bottle neck in Congress, re: the budget.”

John McClain, Center for Regional Analysis, George Mason Univ, Oct 2011

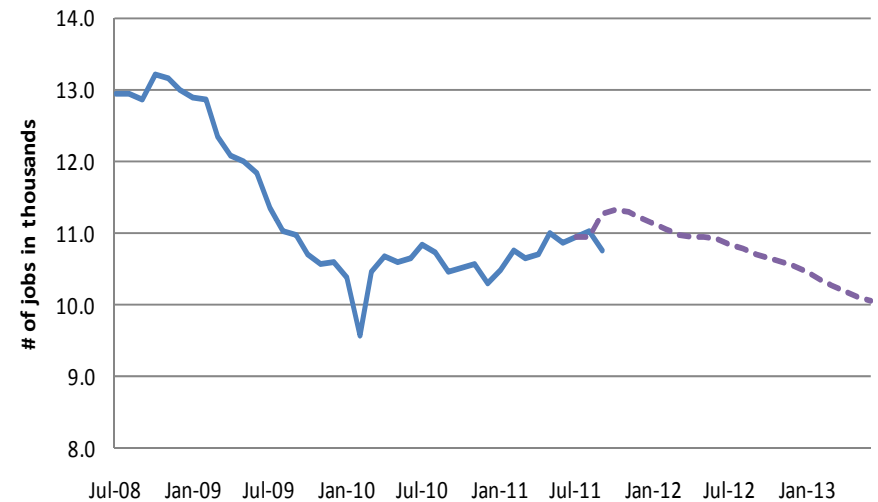


Revenue & Ridership Forecasting Variables

of Jobs in the District



Construction Jobs

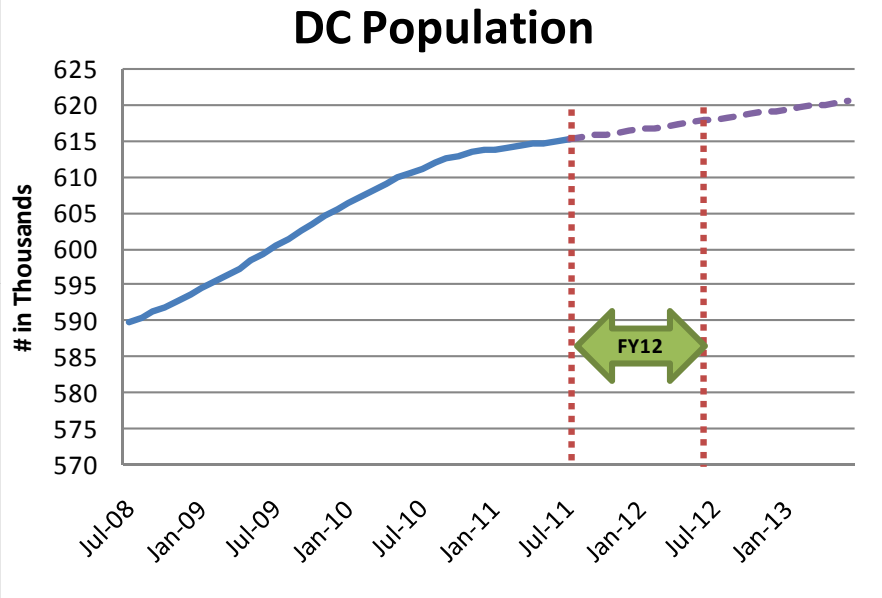


* Moody's Regional Forecast Data, August 2011

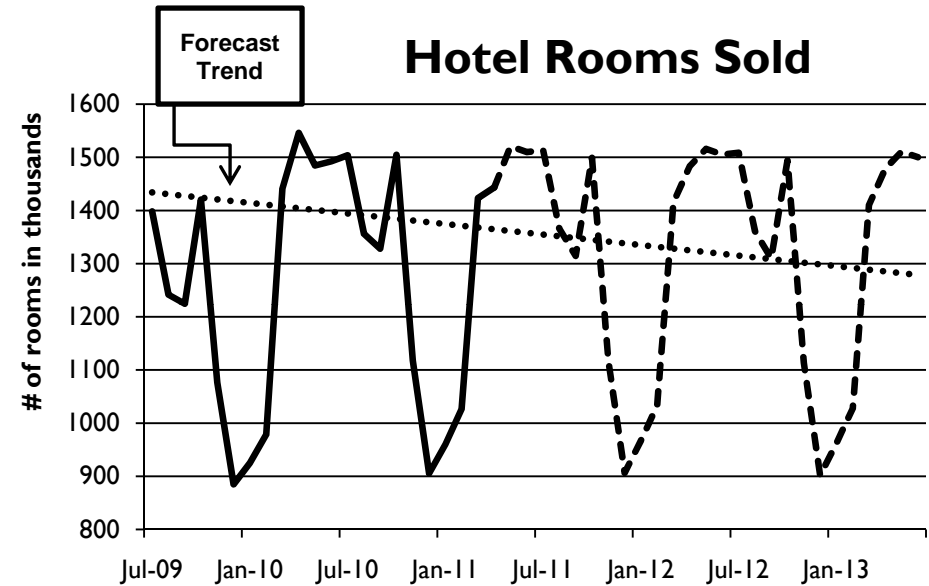
- **Number of jobs in DC** is forecasted to be flat through FY2012; **and** will not increase until second half of FY2013. Ridership will not see the impact until late FY2013 and into FY2014
- Construction employment is forecasted to decrease sharply. This is a reflection of the overall state of the economy as industries hold off expanding during times of uncertainty



Revenue & Ridership Forecasting Variables



* Moody's Regional Forecast Data, August 2011



* STR Market Forecast, May 2011

- DC population growth in FY2012 will slow compared to prior year; by FY2013 growth will slow even further
- Hotel rooms, a reflection of tourists and business, are forecasted to trend down through FY2012 and FY2013



Revenue & Ridership FY2012 Overview

- Through October, Rail ridership and revenue is below FY2011 actuals and FY2012 budget projections
- Bus ridership is above FY2011 actuals and FY2012 budget; revenue is favorable to budget and only slightly less than FY2011 actuals.

Ridership - July Through October 2011								
(in Millions)	FY11 Actual	FY12 Budget	FY12 Actual	Variance to		Variance to		
				FY11 Actual	Percent	FY12 Budget	Percent	
Rail	75	76	74	(1)	-1%	(2)	-2%	
Bus	42	42	45	2	6%	3	6%	
MetroAccess	0.8	0.8	0.7	(0)	-14%	(0)	-19%	
Total	118	119	120	1	1%	1	1%	

Year-End	
Current FY12 Forecast	Var to Budget
216	-2%
128	3%
2	-15%
346	-0.3%

Passenger Revenue - July through October 2011								
(in Millions)	FY11 Actual	FY12 Budget	FY12 Actual	Variance to		Variance to		
				FY11 Actual	Percent	FY12 Budget	Percent	
Rail	\$197	\$200	\$194	(\$4)	-2%	(\$7)	-3%	
Bus	\$46	\$42	\$45	(\$1)	-2%	\$2	6%	
MetroAccess	\$2	\$2	\$3	\$1	60%	\$0	20%	
Parking	\$14	\$16	\$15	\$1	7%	(\$1)	-5%	
Total	\$259	\$261	\$256	(\$3)	-1%	(\$5)	-2%	

Year-End	
Current FY12 Forecast	Var to Budget
\$574	-1%
\$132	6%
\$7	18%
\$45	-5%
\$758	-0.3%



FY2013 Passenger Fare

Ridership

(Trips in Millions)	FY2009 <u>Actual</u>	FY2010 <u>Actual</u>	FY2011 <u>Actual</u>	FY2012 <u>Budget</u>	Current FY2012 <u>Forecast</u>	FY2013 <u>Projection</u>	Variance to FY12 Forecast	Variance to FY11 Actual
Metrorail	223	217	217	221	216	215	-0.4%	-1%
Metrobus	134	124	125	124	128	125	-2.5%	0%
MetroAccess	2.1	2.4	2.3	2.5	2.2	2.2	0.3%	-6%
Total	358.7	343.3	344.5	347.3	346.5	342	-1.2%	-1%

Passenger Fare Revenue

(\$ in Millions)	FY2009 <u>Actual</u>	FY2010 <u>Actual</u>	FY2011 <u>Actual</u>	FY2012 <u>Budget</u>	FY2012 <u>Forecast</u>	FY2013 <u>Projection</u>	Variance to FY12 Forecast	Variance to FY11 Actual
Metrorail	\$506	\$488	\$571	\$582	\$574	\$571	-0.5%	0%
Metrobus	111	106	131	125	132	132	-0.2%	0%
MetroAccess	4	4	4	6	7	8	4.3%	79%
Total	\$621	\$598	\$707	\$713	\$714	\$711	-0.4%	1%

Average Fare

	FY2009 <u>Actual</u>	FY2010 <u>Actual</u>	FY2011 <u>Actual</u>	FY2012 <u>Budget</u>	FY2012 <u>Forecast</u>	FY2013 <u>Projection</u>	Variance to FY12 Forecast	Variance to FY11 Actual
Metrorail	\$2.27	\$2.25	\$2.63	\$2.64	\$2.66	\$2.65	0%	1%
Metrobus	\$0.83	\$0.85	\$1.05	\$1.01	\$1.03	\$1.05	2%	0%
MetroAccess	\$1.67	\$1.80	\$1.84	\$2.54	\$3.36	\$3.50	4%	90%



Rail and Bus Ridership Analysis

- FY2009 ridership hit a high of 223 M rail trips and 134 M bus trips
 - Obama inauguration resulted in 2 M additional rail trips
 - Average rate for unemployment in DC was 8.1%
 - DC population grew 1.6%
- FY2010 ridership decreased to 217 M rail trips and 124 M bus trips
 - Red line accident occurred just before the start of the fiscal year
 - Snowstorms of December and February decreased ridership by more than 5 M trips
 - Average unemployment rate in DC increased to 10.1%
- FY2011 ridership held at 217 M rail trips and increased to 125 M bus trips
 - Unemployment in DC was 9.7%



Rail and Bus Ridership Analysis

...continued

- FY2012 rail is forecasted to decrease slightly to 216 M trips, while bus is forecasted to increase to 128 M trips
 - Moody's Aug 2011 is forecasting no growth in the number of jobs in DC
 - Unemployment in DC is expected to be 10.8%, the highest during the recession period
 - Population growth rate is projected to fall below 1% during Q3 FY2012
- FY2013 ridership is forecasted to decrease to 215 M rail trips and 125 M bus trips
 - Average unemployment in DC is expected to remain high at 10.6%
 - DC population growth will continue to slow



FY2013 Pro Forma Revenue

(\$ in Millions)	Revenue								FY2013 Projection to FY2011 Actuals	
	Actual 2009	Actual 2010	Actual 2011	Approved Budget 2012	Current Forecast 2012	Projection 2013	Variance to FY12 Forecast	Variance	\$ Change	Variance
Passenger Revenue	\$ 621	\$ 598	\$ 707	\$ 713	\$ 714	\$ 711	(\$ 3)	-0.4%	\$ 4	1%
Other Passenger	8	9	4	7	7	7	\$ 0	0%	\$ 3	58%
Parking	47	46	43	48	45	46	\$ 0	1%	\$ 2	6%
Advertising	38	42	18	15	15	16	\$ 0	2%	(\$ 2)	-12%
Joint Development	8	10	8	6	6	8	\$ 2	19%	(\$ 0)	-1%
Interest	1	0	0	1	0	0	(\$ 0)	-29%	\$ 0	40%
Fiber Optics	14	14	14	15	15	15	(\$ 0)	-2%	\$ 0	2%
Misc Transit Revenue ¹	1	9	3	2	2	2	(\$ 0)	-2%	(\$ 1)	-22%
Nontransit Revenue ²	4	9	6	5	7	5	(\$ 2)	-31%	(\$ 1)	-11%
Prior Sources ³	52	17	3	0	0	0	\$ 0	0%	(\$ 3)	-100%
Total Revenue	\$ 795	\$ 753	\$ 807	\$ 812	\$ 812	\$ 809	(\$ 3)	-0.3%	\$ 2	0%

¹ Employee parking, bicycle lockers, vending machines, Neutral Host and subrogation

² Revenue from ATMs, antennas, car sharing and other

³ Passenger fare carryover of \$36 M into 2009; payphones; Joint & Adjacent Project revenue; SE Garage settlement; Safe, Clean & Reliable; and charter

- November FA Committee meeting revenue pro forma was \$810 million
- Change due to bus revenue decrease to account for pass revenue sharing with the regional partners, which began October 2010



Closing the Gap

(\$ in Millions)

	Actual	Approved Budget	Preliminary Budget	Variance to	
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>%</u>
Revenues	\$ 807	\$ 812	\$ 809	(\$ 3)	0%
Net Expenses	1,357	1,434	1,555	(\$ 121)	-8%
Subsidy	\$ 550	\$ 622	\$ 746	(\$ 124)	-20%

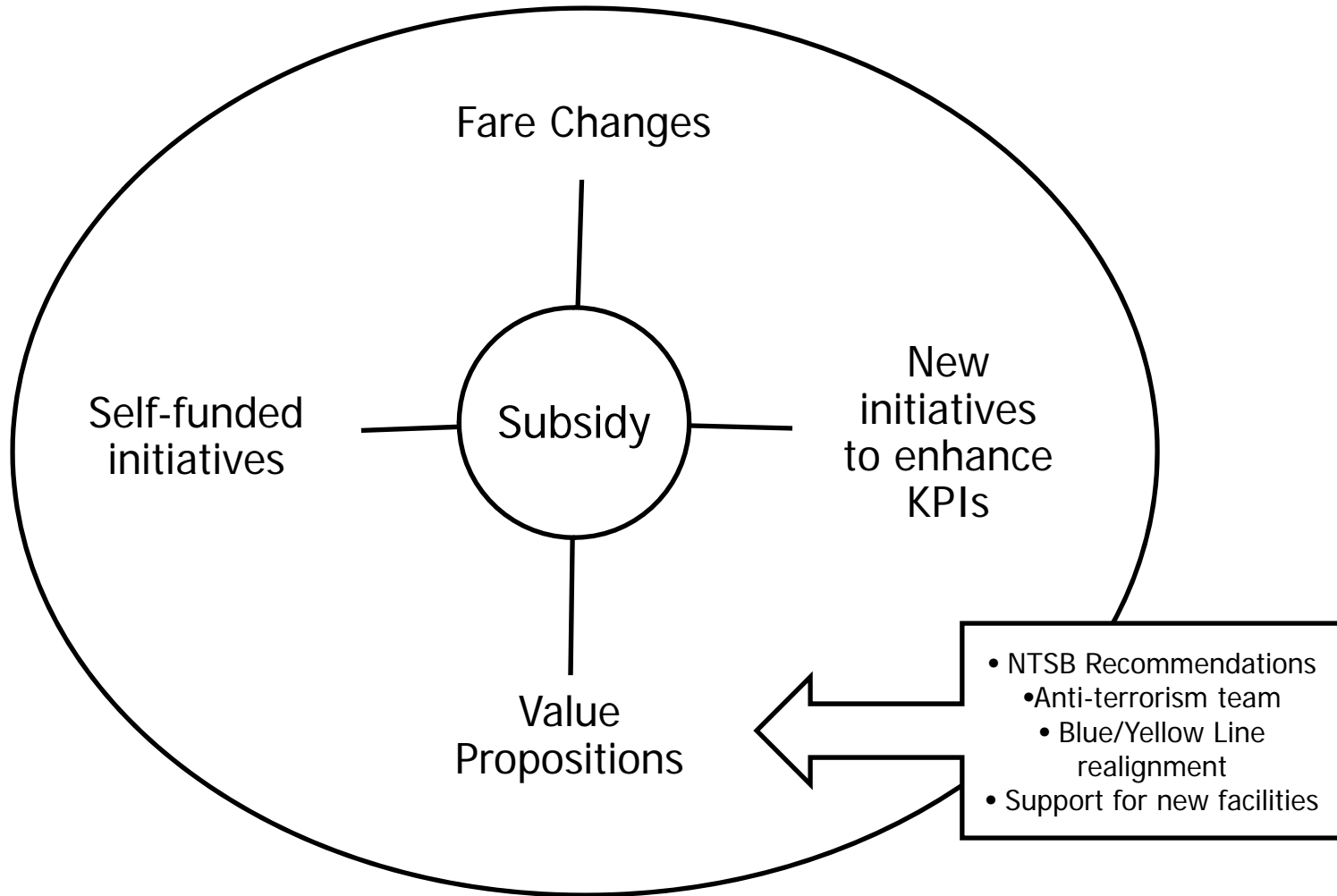
Recommendations

- Jurisdictional support of initiatives to enhance the state of good repair and increase safety and security
- Funding support for Dulles operating expense for transition
- Fare changes based on customer input that better meet the fare policy principles



Operating Budget Gap Overview

\$124 Million





Fare Adjustment Concepts

Concepts for fare change proposal:

- Eliminate peak-of-the-peak surcharge
- Simplify fares for rail paper farecards and cash on bus
- Replace rail day pass with simple visitor zone rail fare
- Adjust off-peak fares to simplify pricing
- Modify fare and allowable media to speed limited-stop bus routes
- Adjust reserved parking program to match customer demand
- Lower bike locker fees in response to customer demand

Resolution 2007-47 - Biennial fare adjustments are to be tied to the consumer price index (CPI) compounded over 2 years, which is 5.7%

- Increase SmarTrip[®] base fare, increment and max fare on rail
- Increase SmarTrip[®] fare on regular bus

Ensure fare concepts under evaluation consider the impact on MetroAccess operations and riders



Fare Concepts

Bus Fare Changes

- Increase local bus fares by CPI
 - Results in 10¢ increase
 - No change to express or airport routes
- Round cash boarding fee to nearest dollar, replacing cash surcharge
 - \$2 for local bus
 - \$4 for express bus
 - No change to airport routes: \$6

Estimated Impact	
Ridership	(1.2 M)
Revenue	\$9.2 M



Vs.



Related Fare Policy Principles

- Equitable fares
- Establish mechanism for easily determined fares
- Encourage use of cost effective fare media



Fare Concepts

Rail Fare Increase

- Increase rail fares by CPI
 - Results in 10¢ increase to base fare
 - And proportional increases to mileage-based fare increments
- Increase max fare from \$5.45 to \$6
- Set off-peak fares to 75% of peak fares
 - Restructure off-peak fares to resemble peak fare structure with a discount

Estimated Impact	
Ridership	(2.9 M)
Revenue	\$57 M

Related Fare Policy Principle

- Equitable fares





Fare Concepts

Rail Fare Increase Alternative Option

- No change in peak rail fares
- No change in max fare
- Index off-peak fares to 90% of peak fares
 - Restructure off-peak fares to resemble peak fare structure with a discount

Estimated Impact	
Ridership	(1.6 M)
Revenue	\$48 M

Related Fare Policy Principle

- Equitable fares

**No Peak Period
Rail Fare Increase!**



Fare Concepts

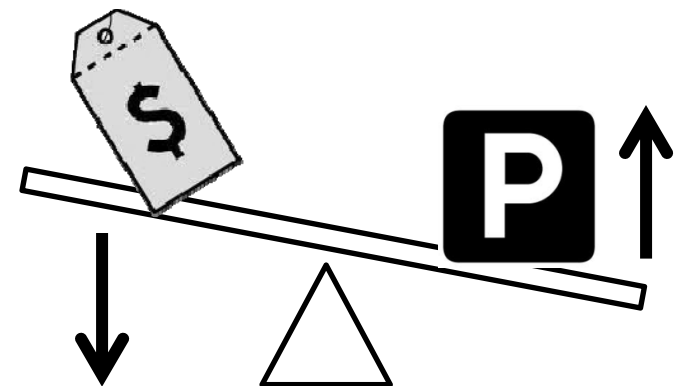
Parking Fee Changes

- Increase park-and-ride fee by 25¢
- Balance supply and demand of reserved permit parking
 - Reduce permit fee at select, low-demand stations
 - Increase available reserved parking permits at high-demand stations
- Increase enforcement at kiss-and-ride Meters
- Decrease bike locker rental fee
 - \$120 per year from \$200

Estimated Impact	
Ridership	(0.1 M)
Revenue	\$3.4 M

Related Fare Policy Principles

- Equitable fares
- Maximize use of existing capacity





Fare Concepts

Rail Fare Simplification

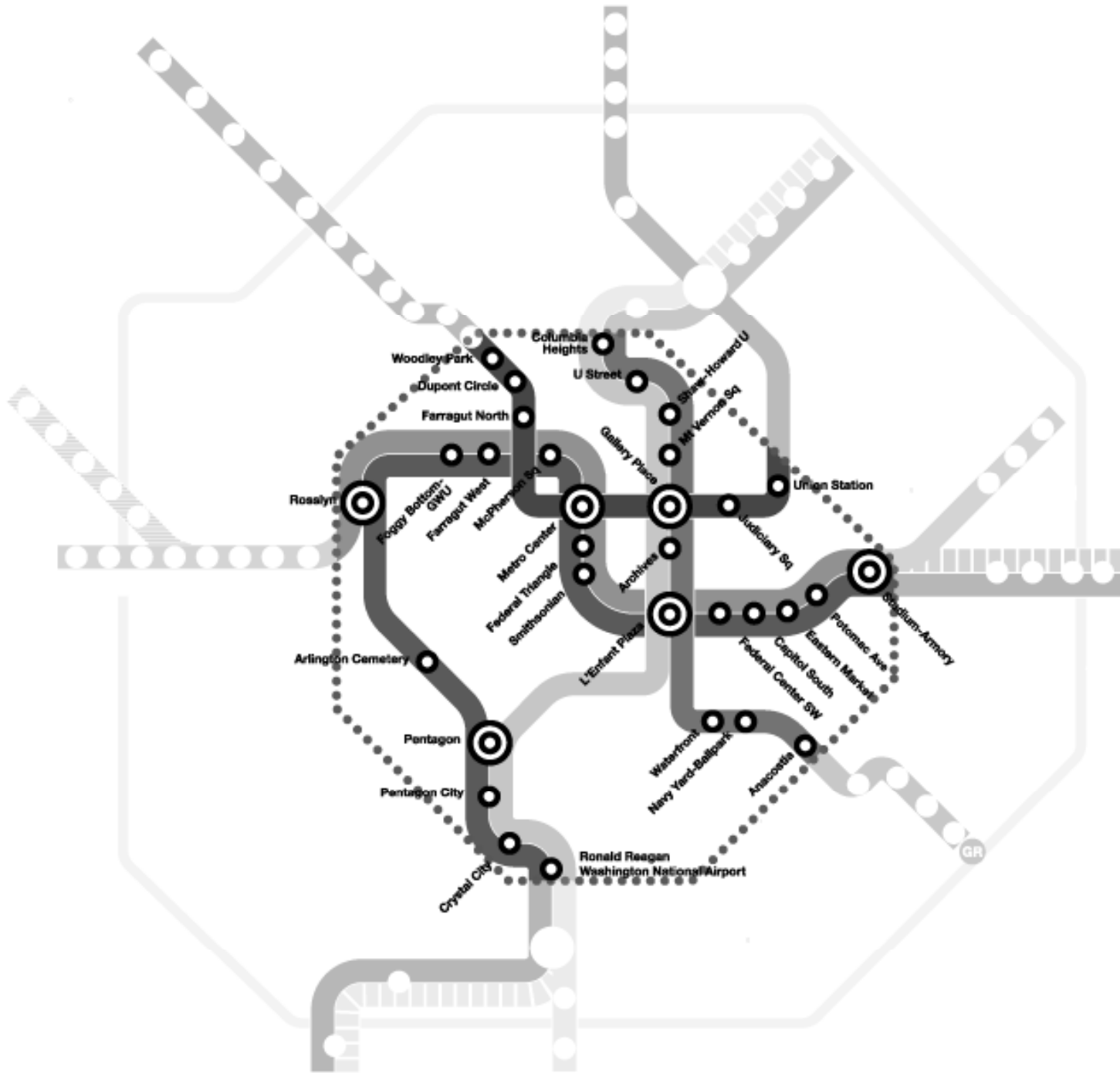
- Remove Peak of the Peak (POP) surcharge on rail
- Change paper farecard pricing from distance-based to two-zone system
 - \$3 for all trips within “visitor zone”
 - \$6 for all other trips
 - Eliminate 1-day pass & cash surcharge

Estimated Impact	
Ridership	(0.1 M)
Revenue	\$4.1 M



Related Fare Policy Principles

- Improve customer satisfaction
- Establish mechanism for easily determined fares
- Encourage use of cost effective fare media





Dulles Operating Budget

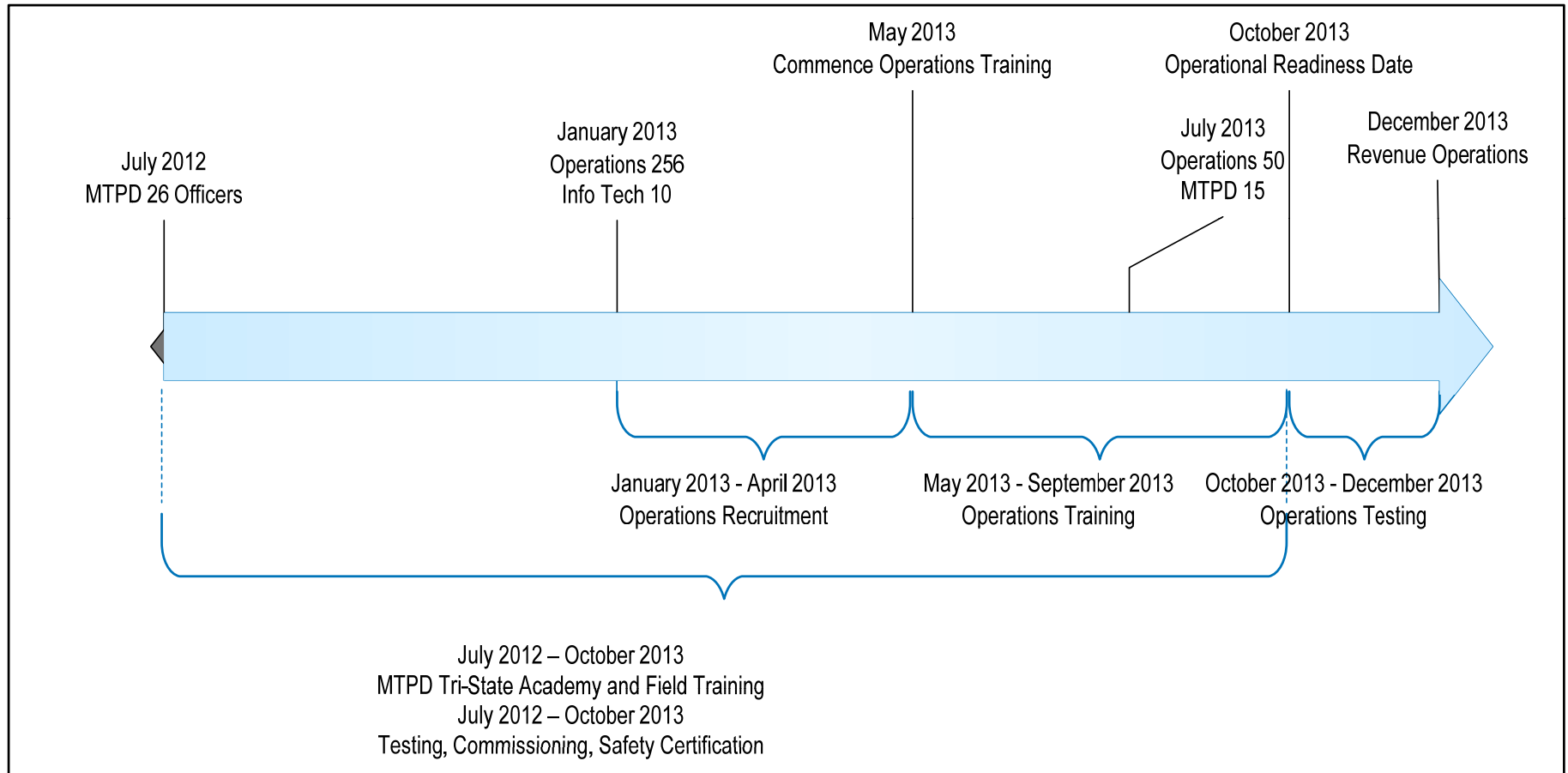
- Fixed costs will be incurred in FY2013 no matter the start date
- Variable costs are required, but can shift to FY2014 depending on start date

Dulles - Operating Budget

	Hiring /Training				Operations Training		Revenue Service		
	Q1-Q2	Q3	Q4	FY2013	Q1	Q2	Q3	Q4	FY2014
\$ Millions	FY2013	FY2013	FY2013	TOTAL	FY2014	FY2014	FY2014	FY2014	TOTAL
Revenue									
New Passenger Trips							\$ 6	\$ 8	\$ 14
Trips due to adjusted travel routes							1	1	2
Total Revenue							\$ 7	\$ 9	\$ 16
Fixed Costs									
Labor	\$ 2	\$ 1	\$ 1	\$ 4	\$ 1	\$ 1	\$ 1	\$ 1	\$ 4
Technology		1	1	1	0	0	0	0	1
Variable Costs									
Labor		7	7	14	9	9	9	9	37
Communications/Training		0	1	1	0	0	0	0	2
Technology					0	0	0	0	0
Total Costs	\$ 2	\$ 9	\$ 9	\$ 20	\$ 11	\$ 11	\$ 11	\$ 11	\$ 43
Total	\$ 2	\$ 9	\$ 9	\$ 20	\$ 11	\$ 11	\$ 4	\$ 2	\$ 27



Dulles Staffing



- Recruitment averages three to six months depending on availability of skills and process



Next Steps

- **January 2012**
 - FY2013 Operating and Capital Budget proposal
- **February 2012**
 - Public input
- **March – June 2012**
 - Budget deliberations
- **July 1, 2012**
 - Start of FY2013



Appendix



FY2013 Proposed Multi-Year Initiatives

(\$ in millions)	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>	<u>Goals</u>
32 Police for bus security	\$2.0	\$2.0	\$2.2	Safer Organization
Consistent preventive maintenance on escalators and elevators	\$8.0	\$8.4	\$8.6	Quality Service
Bus priority corridor / Address overcrowding and OTP	\$5.0	\$8.0	\$8.4	Quality Service
Maintenance and testing related to new capital investments	\$2.5	\$2.5	\$2.5	Quality Service and Safer Organization
Hours of service productivity and fatigue management	\$11.2	\$11.6	\$11.9	Safer Organization
Engineering maintenance - Increased maintenance of existing fleet	\$1.9	\$2.0	\$2.1	Quality Service
Rail Grinding to address wheel and rail failures and conductivity	\$2.7	\$2.8	\$2.8	Quality Service
Maintain underground safety radio	\$1.4	\$2.9	\$2.9	Safer Organization
FY2014 baseline - IT operating costs, Electronic payment program	\$0.0	\$2.7	\$4.9	Use Resources Wisely
TOTAL	<u>\$35</u>	<u>\$43</u>	<u>\$46</u>	



Dulles Staffing

First Recruitment July 2012 (FY13 1st Quarter)

- Sworn Transit Police 26
 - One year plus cycle for Officers to complete tri-state academy and field training

Second Recruitment January 2013 (FY13 3rd Quarter)

- Operations 315 - Specialized expertise for 24 skilled job classes
 - Railcar mechanics (Electronic, Electric, HVAC, Mechanical)
 - Elevator/Escalator Mechanics
 - Fire Equipment Technicians
 - General Equipment Mechanics
 - Plumbers and HVAC/Ref Mechanics
 - Industrial Control Technicians
 - Radio Technicians
 - Automatic Train Control Mechanics
 - Fare Collection Mechanics
 - Electric High Voltage Mechanics and Electric Low Voltage Mechanics
 - Welders



Dulles Staffing

- Information Technology
 - Operate and maintain the Dulles data network and communication systems that connect each of the new stations by integrated network technicians

Third Recruitment July 2013 (FY14 1st Quarter)

- MTPD support 15 - Special police, dispatchers, police records and emergency response
 - Pre-revenue operations emergency incident exercises and regional fire personnel training
- Operations 50
 - Continued ramp up of maintenance personnel
 - Training on new alignment and adequate personnel for field operations
 - Engineering/Technical personnel to support systems and equipment on the new alignment

Final Recruitment September 2013 (FY14 1st Quarter)

- Communications Staff 2
 - Personnel to support increased call center volume and Smartbenefits accounts