



Proposed Budget

Fiscal Year 2009

July 1, 2008 – June 30, 2009

Presented to the Board of Directors:

**Finance, Administration and Oversight
Committee**

January 10, 2008





General Manager's Overview And Summary Presentation:

Part 1. **Operating Budget**

FY2009 Revenue Expense Subsidy

Part 2. **Capital Budget Update**

FY2005 – 2010 Capital Budget

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- Detailed budget review presentations will be delivered during subsequent FAO Committee meetings February-May 2008
 - Final Board approval is anticipated by June 2008



FY2009 Operating Budget

Budget Categories: Revenue Expense Subsidy

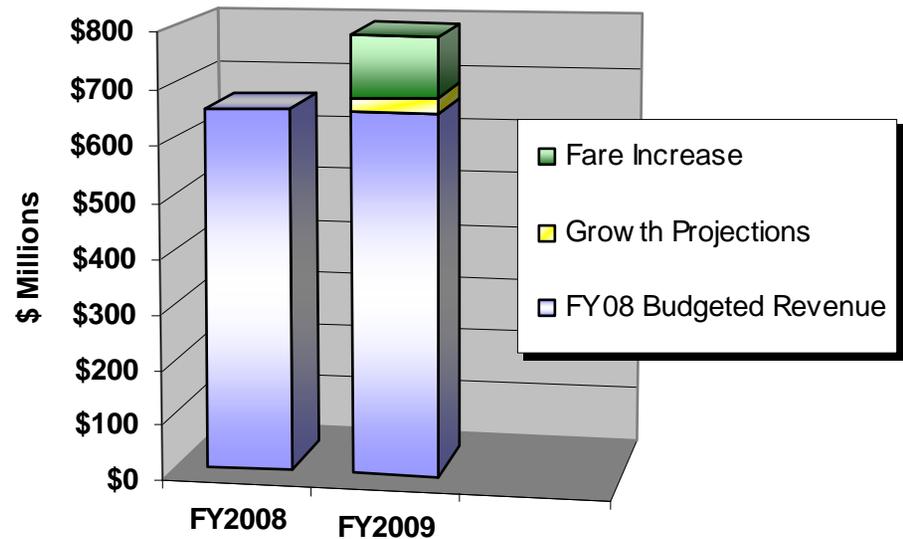
FY2008 Revenue..... \$655

	<i>Fare Increase</i>	<i>Growth</i>	
Rail Fares	\$91	\$21	\$112
Bus Fares	\$1	\$1	\$2
Parking	\$17		\$17
Advertising		\$1	\$1
Other		\$2	\$2
	\$109	\$25	\$134

FY2009 Revenue..... \$789

- \$36 million of the fare increase is collected during FY08 and held over
- \$73 million is the recurring annual revenue increase

Total Revenue



\$ Millions

Totals may not add due to rounding



FY2009 Operating Budget

Budget Categories: Revenue Expense Subsidy

FY2008 Expense.....	\$1,158
Expense Increases	\$148
<u>Metrorail:</u>	
8-car trains in peak	\$7
6-car trains in off peak	\$5
<u>Metrobus:</u>	
Schedule adjustments	\$3
<u>MetroAccess:</u>	
Service Improvements	\$4
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	\$167
FY2009 Expense.....	\$1,325

\$ Millions

Totals may not add due to rounding



FY2009 Operating Budget

Budget Categories: Revenue Expense Subsidy

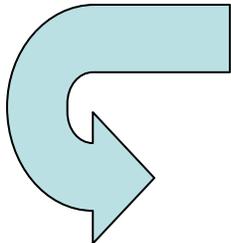
FY08 Operating Subsidy.....	\$500	
<u>Reimbursable Route:</u>		<u>Re-categorized as:</u>
Crofton-New Carrollton	\$0.3	<i>Non-Regional Bus Route</i>
SE Shuttle Bus	\$0.3	<i>Non-Regional Bus Route</i>
Indian Head Express	\$1	<i>Non-Regional Bus Route</i>
Greenbelt-BWI	\$1	<i>Non-Regional Bus Route</i>
Springfield Shuttle	\$1	<i>Non-Regional Bus Route</i>

Budget distinction between "reimbursable" and "non-regional" has expired

FY08 Budgeted Subsidy \$503

FY09 Proposed Subsidy \$536

Subsidy Increase \$33 6.5%



Detailed Subsidy Allocation by Jurisdiction is in the Appendix

\$ Millions
Totals may not add due to rounding



FY2009 Operating Budget

Budget Categories: Revenue Expense Subsidy

- This bus and rail service is excluded from the operating budget
- Each service is 100% subsidized by a sponsoring jurisdiction
- All can be categorized as “regional” service and funded as such:

Red Line Turnbacks	MD	\$2
Yellow Line Extension	DC	\$3
Georgia Avenue Rapid Bus (Rt 79)	DC	\$1
College Park – Bethesda Bus (B 31)	MD	\$1

		\$7

Board options:

- Adopt these services into the budget with regional funding
- Continue these as exceptions to Board policies on regional funding
- Discontinue the service

\$ Millions

Totals may not add due to rounding



Management Actions . . .

To control costs / increase revenue:

- o Eliminated 254 positions through reorganizations
- o Reduce use of consultants
- o Eliminate cell phones
- o Restrictions in business travel, Reduced marketing
- o 5% across-the-board cut to non-personnel costs
- o Performance engineering
- o Additional advertising revenue
- o Online surplus sales
- o Diesel swaps and CNG tax rebates
- o Clean renewable energy
- o New procurement cards
- o Performance engineering

\$63 million in cost cuts and revenue increases



The Challenges . . .

- Growing talk of economic recession, visible already in some sectors: real estate, banking, heavy industry
- Energy prices show no upside limits:
 - Diesel fuel \$2.70 per gallon, \$34 million in FY09
 - Compressed natural gas \$1.31 per therm, \$6 million
 - Electricity (train power) \$0.10 per kwhr, \$56 million
 - Heat/Light/Power for buildings, \$39 million
- Inflation on health insurance is moderating but offset by changes in accounting standards for retiree health - WMATA will follow how local jurisdictions proceed
- Accident claims reserve fund balance is recovering but accident claims from prior years are nearing payout



Agency Focus:

- Safety Improvements
 - Continue reducing accidents and injuries by 50 percent over a five year period
 - Expand bus strobe lights to MD & VA
 - Partner with FTA to pilot safety initiatives
 - Continue employee and customer outreach
 - Develop safer business practices, return to work programs and work site safety teams



Agency Focus:

- Metrobus Service Improvements
 - Adjust schedules to improve on-time performance
 - New garages:
 - Southeastern Garage Closure
Increased operating cost paid from sale proceeds
 - West Ox Opening at mid-year FY09
Arlington Garage Closes



Agency Focus:

- Metrorail Service Improvements
 - On schedule to run 50% of peak period trains with 8-cars by Spring 2009
 - Funds operation of 6-car trains during off peak
 - Continue multi-year plan to shift escalator maintenance back to in-house staff who have graduated from the training academy (reduces CIP contractor cost)



Agency Focus:

- MetroAccess Improvements
 - Implement door-to-door service
 - Expand fleet to improve on-time performance, meet demand
 - Increase call center and contract monitoring staffing – prompt phone response, complaint resolution and higher quality service
 - Streamline eligibility certification
 - Expand customer outreach and travel training to encourage customers to use fixed-route system
 - Cashless fare initiative enables pre-payment for MetroAccess and allows drivers to concentrate on safety-related duties



Other Budgetary Issues:

- New Government Regulations on Accounting
 - Other-Post-Employment-Benefits must be recognized
 - WMATA following lead of local jurisdictions

- Balanced Transfer
 - Board policy to implement when all regional bus systems have new fareboxes – may happen in FY09
 - May reduce revenue by shifting it to other operators, including non-compact jurisdictions

- Base Realignment and Closing (BRAC) Impact
 - Ridership may be significantly affected but specific forecast not possible at this time



Operating Budget Recap

- Subsidy increase is proposed as was planned \$33M
- Service expansion and improvements are budgeted
- Fare increase has been implemented
 - Staff is monitoring to analyze changes in customer behavior
 - Watching for revenue yields to be as predicted
 - Updates will be presented as information is available
- FY09 Operating Budget is built with Agency focus on:
Improving safety and service to customers



Capital Budget



Capital Budget Highlights:

- A. Half way through \$3.1 billion Metro Matters program (FY2005-FY2010)
FY2009 Metro Matters annual budget of \$444.6 million
- B. Interim capital program to further increase reliability is being developed
Will be presented in February and reviewed during FY09 budget process
- C. Next CIP (after FY2010) is being developed with full needs
To be presented mid-calendar 2008, for adoption by FY2011



Metro Matters Update

WMATA's Capital Budget is often referred to as the "Metro Matters" Program

- \$3.1 billion total program budget FY2005 – FY2024
 - \$2.7 billion currently funded portion FY2005 – FY2010
 - \$0.5 billion FY2009 annual budget
- Three main program outcomes:
 - A. Catch up on deferred maintenance of the 89.5 mile rail system and improve the bus system by significantly reducing fleet age
 - B. Expand rail capability to run half of peak period trains with 8-cars, expand yards and upgrade systems
 - C. Expand bus service capabilities and supporting maintenance facilities
- Current year (FY2008) is mid-point of the program
 - FY2009 –FY2010 ramp down to closeout level expenditures



Metro Matters Half Time Report - Financials

- Program finances are being managed within funding constraints
- Federal formula grants are slightly better than planned
- However, federal funding for rail cars fell short of assumptions
MM Budget = \$260M Actual federal funding = \$104M
- Jurisdictional contributions have occurred exactly as planned
- Long term debt has been avoided to date
Debt issuance was assumed in first year of the program
- Existing (pre-Metro Matters) cash balances have largely been drawn down – referred to as internal borrowing
- Short term commercial paper was issued when cash ran low



Metro Matters Half Time Report - Financials

- Metro Matters agreement originally forecast \$611M debt issuance, to be repaid with local jurisdiction funding through FY2024
- And allowed for shortfalls in federal discretionary rail cars funding to be added to long term debt
- Potential of \$611 + \$156M = \$767M in debt
- Local governments can opt-out of debt service payments with up front cash contribution
- Briefing meetings with regional CFO's being scheduled

Action-Item coming to WMATA Board in February to issue Metro Matters Bonds
Current estimates indicate bond issue will be less than \$767M



Metro Matters Half Time Report - Projects

- There is no-risk of Metro Matters going over budget
Financial controls prohibit such a result
- However, program not likely to bring all projects to full completion by FY2010 – deferrals to the next CIP may result
- Reasons include dramatically higher capital inflation
e.g. Unit cost of 1 bus has grown from \$300k to \$500k
- Program is inflexible and has no contingency
Program is massively complex to administer
- All projects now well into execution phase, after some slow starts
- Long lead time contracts have been committed
- FY09-10 focus will begin a shift to completion and closeout



Metro Matters Half Time Report - Projects

- Significant Accomplishments:

8-car train initiative is on-schedule - 50% eight car trains are coming

Bus fleet average age has improved greatly - 7 years, down from 10

Large amounts of deferred maintenance has been caught up with Escalator re-builds, power systems work, rail yard construction

- Coming Challenge:

Without large, additional capital resources beyond FY2010 the ground gained by Metro Matters will be lost

**Securing additional capital funding is not optional
It is a requirement**



Interim Capital Budget Proposal FY08-10

- Metro Matters is a fixed capital program, far enough along in project delivery to have limited ability for major re-programming
- Next CIP won't begin until FY2011 (after Metro Matters)
- There is an immediate need to fund reliability improvement projects To be executed FY08-FY09-FY10
- Preliminary engineering for the next CIP must begin prior to FY2011
- In February, a proposal will be made to approve an interim capital program to immediately begin work on highest priority needs
- Funding will come from a mixture of re-programming Metro Matters funds and issuance of new debt



Capital Budgeting in FY2011 and Beyond

- Work is already underway to define WMATA's capital needs after FY2010
- System assessments are being completed
Current state of the assets are being compiled
Project managers are being asked what their needs are
- "State-of-Good-Repair" is the benchmark for all assessments
- Intent is to document the full scope of what is required to maintain Metro
- Expansion opportunities are also being cataloged
- Anticipated funding availability (constraints) will be considered lastly, resulting in a prioritized capital needs inventory



Capital Budget Recap

- New interim capital budget proposal is pending
- Local contributions to Metro Matters are exactly on-budget
- Debt issuance is pending with opt-out decisions coming
- WMATA is scheduling a regional CFO briefing to get all jurisdictional finance, budget and treasury teams up to speed
- All other (non-Metro Matters) capital projects are either uniquely funded or specific to a jurisdiction, e.g. Dulles
- Federal authorization of the “next” transit-transportation legislation is a coming opportunity



Budget Review Process

Draft FAO Committee Work Plan

Jan – May 2008 leading to Budget Adoption in June 2008

Committee Information and Action items:

- Review proposed interim capital budget for reliability improvements
- Approval to issue Metro Matters debt
- Review FY09 operating budget revenue and expense
- Review impact of fare increase
- Review and approve budget policy matters



Appendix



FY2009 Operating Subsidy by Jurisdiction

FISCAL 2009 Proposed Operating Budget

SUMMARY OF STATE/LOCAL OPERATING REQUIREMENTS

January 10, 2008

	DISTRICT OF COLUMBIA	MONTGOMERY COUNTY	PRINCE GEORGE'S COUNTY	CITY OF ALEXANDRIA	ARLINGTON COUNTY	FAIRFAX CITY	FAIRFAX COUNTY	FALLS CHURCH	TOTAL
METROBUS OPERATING SUBSIDY									
REGIONAL SUBSIDY	\$117,352,757	\$41,751,318	\$45,159,940	\$13,158,008	\$20,820,931	\$528,891	\$33,813,230	\$1,146,895	\$273,731,970
NON-REGIONAL	\$28,739,526	\$8,608,226	\$19,078,635	\$764,908	\$1,124,130	\$0	\$9,789,157	\$0	\$68,104,582
TOTAL BUS OPERATING	\$146,092,283	\$50,359,544	\$64,238,576	\$13,922,916	\$21,945,061	\$528,891	\$43,602,387	\$1,146,895	\$341,836,552
	42.7%	14.7%	18.8%	4.1%	6.4%	0.2%	12.8%	0.3%	
METRORAIL OPERATING SUBSIDY									
BASE ALLOCATION	\$43,055,829	\$23,327,843	\$22,504,527	\$5,684,748	\$11,936,841	\$372,159	\$17,581,427	\$312,289	\$124,775,662
MAX FARE SUBSIDY	\$263,643	\$3,110,261	\$769,041	\$97,448	\$51,441	\$44,026	\$1,045,057	\$8,444	\$5,389,360
TOTAL RAIL OPERATING	\$43,319,471	\$26,438,104	\$23,273,567	\$5,782,196	\$11,988,282	\$416,185	\$18,626,483	\$320,732	\$130,165,022
	33.3%	20.3%	17.9%	4.4%	9.2%	0.3%	14.3%	0.2%	
PARATRANSIT SUBSIDY	\$15,118,063	\$14,833,189	\$24,438,077	\$682,207	\$733,213	\$140,267	\$7,599,916	\$153,018	\$63,697,951
	23.7%	23.3%	38.4%	1.1%	1.2%	0.2%	11.9%	0.2%	
SUBTOTAL OPERATING SUBSIDY	\$204,529,817	\$91,630,838	\$111,950,220	\$20,387,320	\$34,666,556	\$1,085,343	\$69,828,786	\$1,620,646	\$535,699,525
DEBT SERVICE	\$10,331,300	\$4,867,500	\$4,872,900	\$1,418,200	\$2,740,200	\$46,700	\$3,168,900	\$38,500	\$27,484,200
TOTAL APPROVED SUBSIDY	\$214,861,117	\$96,498,338	\$116,823,120	\$21,805,520	\$37,406,756	\$1,132,043	\$72,997,686	\$1,659,146	\$563,183,725
	38.2%	17.1%	20.7%	3.9%	6.6%	0.2%	13.0%	0.3%	