

**Minutes**  
**Finance, Administration and Oversight Committee**  
**March 13, 2008**

Mr. Benjamin called the meeting to order at 9:10 a.m. Present were:

**Committee Members**

Mr. Peter Benjamin, Chair  
Mr. William D. Euille, Vice Chair  
Mr. Christopher Zimmerman  
Mr. Jim Graham  
Mrs. Catherine Hudgins  
Mr. Emeka Moneme  
Ms. Elizabeth Hewlett

**Approval of Agenda**

The agenda was approved as submitted.

**Minutes**

The minutes of January 10, 2008 and February 14, 2008 were approved as submitted.

**Action Items**

**A. Selection of External Audit Contractor**

Ms. Lew requested Committee consideration of Clifton Gunderson LLP, the technically qualified and best value External Auditor identified by the Inspector General, and recommended appropriate action to the Board of Directors. This contract will provide external audit and management-type audit services for the period beginning May 1, 2008 and continue for three years with a provision for two one-year options. The Board Audit Subcommittee concurred with this recommendation.

Mr. Zimmerman moved approval of the recommended contractor, Ms. Hewlett seconded, and the motion was unanimously approved.

## **B. Wireless Network (Neutral Host) Request for Proposals Update**

Ms. Peck requested approval to issue a Request for Proposals for a master license to design, build, operate and maintain a wireless communication infrastructure throughout Metro's underground stations and tunnels. This is a revenue generating proposal allowing employees and customers to use various cell phone provider networks in the Metrorail system. Mr. Zimmerman requested that criteria to define success or failure of the project be established prior to Board of Directors approval and that the Board of Directors be periodically updated on the project, which could take up to four years for full implementation. Mr. Benjamin requested that the RFP require the proposing vendors to provide their basis for charging other providers for service so that the fairness and equity of the charge can be assessed as part of the contract award decision.

Ms. Hewlett moved approval, Mrs. Hudgins seconded, and the motion was unanimously approved.

## **Information Items**

### **A. Review FY08/FY09 Fare Increase Revenue**

Mr. Woodruff presented an overview of budget assumptions provided with the FY08/FY09 fare increase. Of the \$109.3 million new revenue expected to be generated by the fare increase, 1/3 of the revenue will be collected during FY08 and 2/3 will be collected during FY09. The FY08 portion, \$36.2 million, will be carried over into FY09. Up to one percent of any remaining year-end budget surplus will go to fund the one percent Operating Reserve.

### **B. Review FY09 Operating Revenue**

Mr. Woodruff presented an overview of FY09 operating revenues which total \$789 million. Mr. Woodruff also discussed 10-year ridership, revenue and fare trends and stated trends and stated that the revenue forecast will be updated at the April meeting.

### **C. Review FY09 Operating Expenses**

Mr. Woodruff presented an overview of FY09 operating expenses which totals \$1.3 billion. He presented information on the \$171 million expense increase in the proposed budget. Mr. Benjamin requested additional information on the \$5

million to be used to fund a reserve as a result of GASB 45. In response to Mr. Benjamin's request, Mr. Harcum stated that staff would provide a table with the number of budgeted positions and proposed salary increases by group for FY09 to the Committee via confidential memorandum. Mr. Catoe stated that staff would also provide detailed information on overtime costs. Mr. Benjamin requested historical information on the proposed increase in professional and technical services costs, contract maintenance costs, supplies expenditures, overall and bench stock inventory and actual draws from the third party reserve. Mrs. Hudgins noted the challenge jurisdictions face in funding the proposed budget subsidy, and Mr. Benjamin recommended that staff consider the possibility of higher revenues than previously projected due to the fare increase and possible cost reductions to reduce subsidy.

#### **D. Review FY09 Subsidy Allocation**

Mr. Harcum presented an overview of the FY09 subsidy allocation, which proposes a jurisdictional subsidy of \$537 million, and explained the corrections from the previously published values. He described each of the subsidy allocation formulas that comprise each operating mode. Mr. Benjamin requested staff review the regional bus and MetroAccess subsidy increases for Maryland which seems very large. Mr. Harcum addressed questions from the Committee on the subsidy for individual jurisdictions. Mr. Zimmerman requested that this presentation be provided to new Board members and placed on the website. Mr. Benjamin suggested that the subsidy allocation tutorial from two years ago may be more appropriate. Mr. Harcum noted that at the end of FY08 revenue and expenses will be audited and adjustments made to jurisdictional subsidy amounts.

#### **E. FY08 Monthly Financial Report**

Mr. Harcum stated that future reports will breakout the FY08 portion of the fare increase. Year-to-date expenses are just under budget but average weekday rail ridership is up six percent in January and February. Mr. Benjamin requested that the January operating financials be reissued to exclude revenues accruing for FY08 from the fare increase.

The meeting was adjourned at 11 a.m.