



Finance, Administration and Oversight Committee

Information Item III-E

April 10, 2008

Responses to Committee Requests

**Washington Metropolitan Area Transportation Authority
Board Action/Information Summary**

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

PURPOSE

To present staff responses to questions and requests regarding the proposed FY09 budget.

DESCRIPTION

In preparation for adoption of the FY09 budget, committee members presented a variety of questions about increases to individual line items and trends.

NEXT STEPS

Continue to answer questions and monitor requests made by the Committee.



Responses to Committee's Requests

Presented to the Board of Directors:

**Finance, Administration and Oversight
Committee**

April 10, 2008





Purpose

- Provide staff responses to questions and requests from the March 13, 2008 Finance, Administration and Oversight Committee meeting regarding the proposed FY09 budget.
 1. What makes up the \$44 million increase in labor expense?
 2. Explain overtime expense by type and by trend? What is efficient OT?
 3. What has been the trend on accident claims?
 4. What makes up the \$21 million increase in expense for contract-out services?
 5. How much inventory was written-off in the last 3 years?

The following information will be available at the May FAO meeting:

6. What makes up the increase in material and supplies expense?
 - Forecast FY08 audit adjustment by jurisdiction.



FY09 Budget Review Questions

Q1. \$44 Million Increase in Labor Expense?

	FY06	FY07	FY08	FY09	FY08-09 Change
Labor Expense	\$587	\$610	\$638	\$682	\$44
\$ Millions	<i>Actual</i>	<i>Actual</i>	<i>Budget</i>	<i>Budget</i>	

Labor Expense Increases:

\$5 Non-union pay adjustment: 3% pay increases assuming achievement of Board goals and up to 2% performance-based lump sums

\$25 Multi-union contract settlements

\$11 Staffing bus and rail service improvements

\$4 Overtime budget (under review - see Police below)

(\$5) Deduction for assuming higher vacancy rate of 5%

NEW  \$2 Add police staffing on straight time

(\$2) Reduce Police Overtime

\$4 Indirect cost allocation, overhead ratio unchanged at 6%

\$44 Total Change FY08 - FY09

Definition of "Labor Expense"

- a. Salaries: Non-union, Local-2 employees, Special & Transit Police
- b. Wages: Operators & Station Managers, Mechanics, Laborers
- c. Overtime
- d. Vacancy Lapse (expense deduction)



FY09 Budget Review Questions

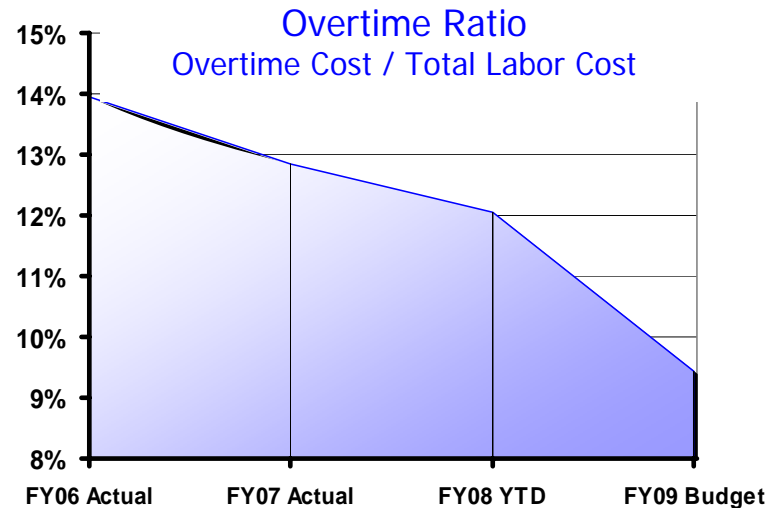
Q2. Overtime type, trend, efficient?

- Overtime spending is decreasing as a percent of total pay
Efficiency is Improving
- Scheduled overtime is cost efficient:
 - Scheduled Overtime is purposely built into the bus and rail schedules.
Paying this overtime is less expensive than adding more staff.
 - Un-scheduled Overtime is all other, based on general operating needs and work demands.

Examples:

- Special events
- Police/emergency situations
- Vacancy coverage
- Training coverage
- Limited availability of track access
- One-time projects

Unscheduled work
may be reimbursed
by outside organizations





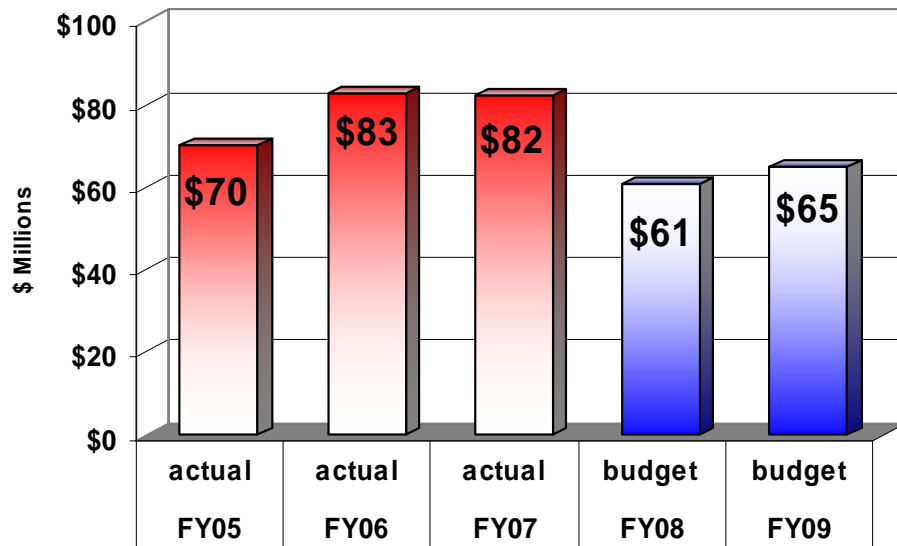
FY09 Budget Review Questions

Q2. Overtime type, trend, efficient?

FY08 to FY09 budget increase in overtime reflects pay rates, not additional hours

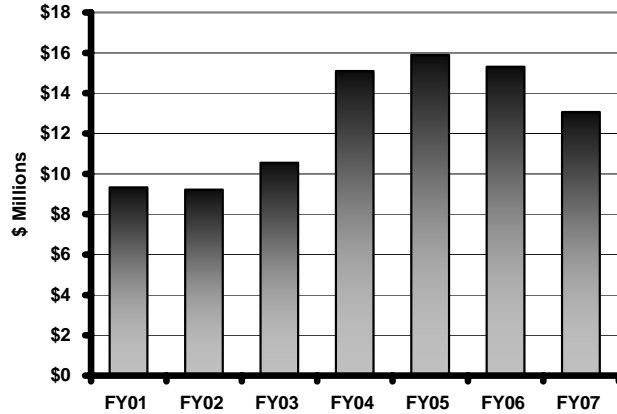
- Overtime budget was reduced by 25% in FY08
- FY09 budget being reviewed for additional possible reduction in overtime costs

Overtime Expense

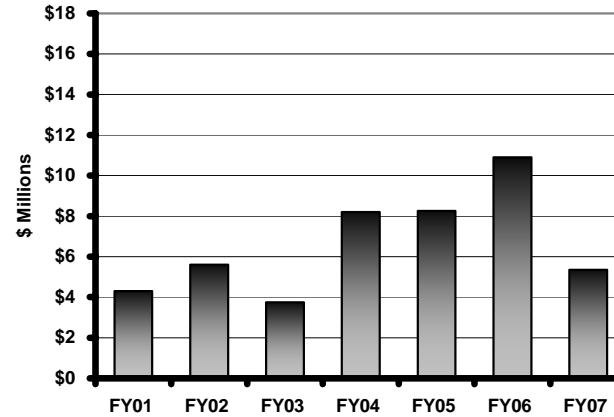




Workers Comp Accidents Claims Payouts



3rd Party Accidents Claims Payouts



Payments Made from Risk Reserve

\$ Millions	FY01 actual	FY02 actual	FY03 actual	FY04 actual	FY05 actual	FY06 actual	FY07 actual
Workers' Compensation Accident Claim Payments	\$9.3	\$9.2	\$10.6	\$15.1	\$15.9	\$15.3	\$13.1
Third Party Accident Claim Payments	4.3	5.6	3.7	8.2	8.3	10.9	5.4
Employment Practices Liability Payments						0.2	1.1
Department of Labor Assessments/Other	0.6	0.9	0.7	0.2	0.4	0.7	0.4
Total Payments	\$14.2	\$15.7	\$15.0	\$23.5	\$24.5	\$27.2	\$19.9



FY09 Budget Review Questions

Q4. What makes up the \$21 million increase for contract-out services?

Definition: "Services" expense is the cost of contracting out certain work that can be produced more efficiently or effectively by private businesses.

Examples: Operation of parking lots, operation of MetroAccess, specialized consulting such as actuaries, auditors and information technology specialists, snow removal, custodians, landscapers, etc.

Services Expense for Contracting-Out	FY06 Actual	FY07 Actual	FY08 Budget	FY09 Budget	FY08-09 Change
Metro Access Operation	\$51	\$56	\$58	\$63	\$5
Parking Operation	\$4	\$4	\$5	\$5	\$0
Contract Maintenance	\$22	\$22	\$27	\$34	\$7
P&T Consulting	\$9	\$8	\$16	\$22	\$6
Other Services	\$16	\$16	\$18	\$23	\$5
Total	\$102	\$107	\$125	\$146	\$21

\$ Millions



FY09 Budget Review Questions

Q4. What makes up the \$21 million increase for contract-out services?

- **MetroAccess Operations** (\$63 Million Total) - Contract out for all operational aspects of providing paratransit service. The FY09 budget is \$4 million more than FY08 due to an expected 16% increase in ridership.
- **Parking Operation** (\$5 Million Total) - Contract out for the management of Metro's parking lots. No budget increase is proposed.
- **Contract Maintenance** (\$34 Million Total) - Multiple contracts for work ranging from computer system maintenance to equipment repair. The FY09 budget is \$7 million more than FY08 due to:
 - \$5 million increase for IT hardware and software maintenance
 - \$2 million increases in bus maintenance contracts for the voice enunciator system, fire suppression, and brake bonding.



- **Professional & Technical Services** – (\$22 Million Total)
Consulting services including: external auditors, medical consultants, engineering services, legal experts, transportation specialists, claim adjusters, and actuaries.
The FY09 budget is \$5 million more than FY08 for:
 - \$1 million increase for outside training
 - \$1 million for worker's compensation administrative services
 - \$1 million increase for external auditors services
 - \$2 million increase for specialized IT consulting services
- **Other Services** – (\$23 Million Total) includes contracts ranging from snow removal and landscaping to smart card processing.
The FY09 budget is \$5 million more than FY08 for:
 - \$2.5 million for the IT telephone contract (offset by decrease in utilities)
 - \$2.0 million for increasing quantity of smart card transactions
 - \$0.5 million applies to inflation on multiple, small contracts.



FY09 Budget Review Questions

Q5. How much inventory was written-off in the last 3 years?

	FY06	FY07	FY08
\$ Thousands	actual	actual	estimate
Inventory Write-Off	\$266.0	\$487.7	\$196.0

- Inventory write off occurs when obsolete parts are removed from inventory and disposed off.
- Parts with scrap value are sold, and that amount is recognized as miscellaneous operating revenue.
- “Bench Stock” accounting adjustments no longer necessary due to perpetual inventory counts being recorded in the new financial systems.