

M E M O R A N D U M



SUBJECT: October Monthly Financial Reports

DATE: December 22, 2011

FROM: DGMA/CFO - Carol Dillon Kissal 

TO: GM/CEO – Richard Sarles 

I am enclosing for your review the October financial report. As described in the September financial report, we will be providing you with summary level information for the first and second months of each quarter. The third monthly report each quarter will contain detailed financial, revenue, ridership, and performance analysis, summarizing the activity for the quarter.

Through the end of October, Metro's operating budget had a slight negative net variance of \$2.1 million or one percent as a result of a \$4.1 million negative variance on revenues offset by a \$2.0 million positive expenditure variance. Total ridership through the end of October was 815,000 higher than forecast and 1.3 million higher than 2011 performance for the same period.

Year to date, ridership was lower than budget on Metrorail by two percent or 1.7 million riders, primarily due to the August earthquake and hurricane. In addition, the continued uncertainty of the economy in DC is impacting rail passenger growth. Metrobus ridership continues to exceed budget for the ninth consecutive month. Metrobus ridership year to date of 45 million was six percent higher than the same period last year and six percent higher than forecast year-to-date.

MetroAccess transported fewer passengers than during the same period last year and fewer than forecast for this year, 16 and 19 percent respectively with total passenger of 690,000. The decline is attributed to the successful implementation of demand management initiatives.

Operating revenues of \$273 million were one percent below forecast due to lower than forecasted Metrorail passenger revenues. Metrorail revenues were \$6.7 million or three percent lower than forecast and parking revenues were \$0.7 million or five percent lower than forecast, while Metrobus exceeded forecast by \$2.7 million and MetroAccess generated \$400,000 more in revenues than forecasted.

Operating expenditures through the end of October were two million dollars under budget on a total operating budget of \$486.4 million. Overruns in labor, primarily due to overtime and fringe benefit costs, were offset by under runs in non-personnel expenses, particularly propulsion power and electricity. Accounting corrections will be performed in November and December to move costs to capital projects that were incorrectly captured in the operating program, thereby increasing the positive variance in operations expenditures by an estimated \$15 million.

The capital program year-to-date expenditures are \$150 million with \$523 million in obligations. This represents a 55 percent expenditure rate increase as compared to the same period last year and a 12 percent increase in the obligation rate.

Major projects include:

- Major bus purchases have been completed in FY 2012. Metro has accepted 63 of the 100 replacement buses, of which 45 buses have been placed into service.
- Escalator repairs were completed at Huntington, Minnesota Ave and Potomac Ave Metrorail stations. Major repairs are ongoing at the Potomac Ave station and rehabilitation/modernization projects are underway at stations throughout the system.
- Significant track and structure work is either underway or planned on all lines reflected the prioritization of state of good repair projects.

Attachment



Operating Budget Report

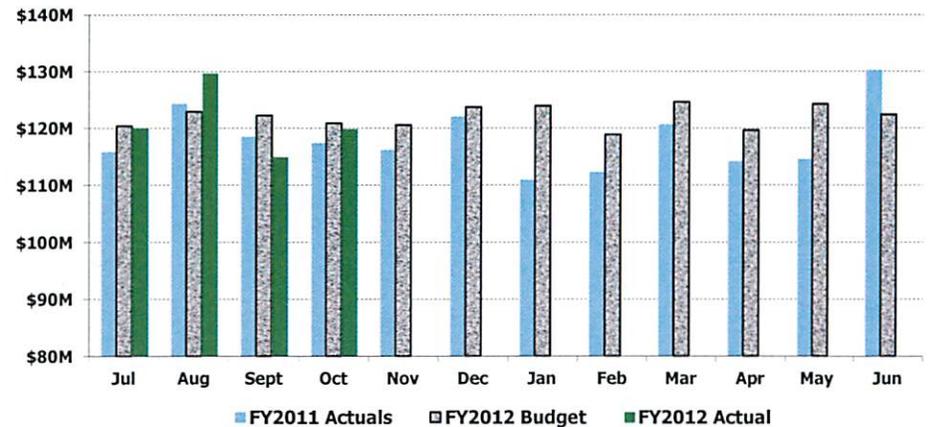
October FY2012

Operating Budget (\$ In Millions)

| MTD | Oct-FY2011 | | Oct-FY2012 | | Variance | |
|---------------|------------|----------|------------|----------|----------|--|
| | Actual | Actual | Budget | FY2012 | Percent | |
| Revenue | \$ 69.1 | \$ 66.9 | \$ 69.9 | \$ 3.0 | -4% | |
| Expense | \$ 117.4 | \$ 119.8 | \$ 120.8 | \$ 1.0 | -1% | |
| Subsidy | \$ 48.3 | \$ 52.9 | \$ 50.9 | \$ (2.0) | 4% | |
| Cost Recovery | 59% | 56% | 58% | | -2% | |

| YTD | FY2011 | | FY2012 | | Variance | |
|---------------|----------|----------|----------|----------|----------|--|
| | Actual | Actual | Budget | Percent | Percent | |
| Revenue | \$ 273.7 | \$ 273.1 | \$ 277.1 | \$ 4.0 | -1% | |
| Expense | \$ 476.0 | \$ 484.4 | \$ 486.5 | \$ 2.1 | 0% | |
| Subsidy | \$ 202.3 | \$ 211.3 | \$ 209.4 | \$ (1.9) | 1% | |
| Cost Recovery | 58% | 56% | 57% | | -1% | |

Operating Expenditures (\$ In Millions)



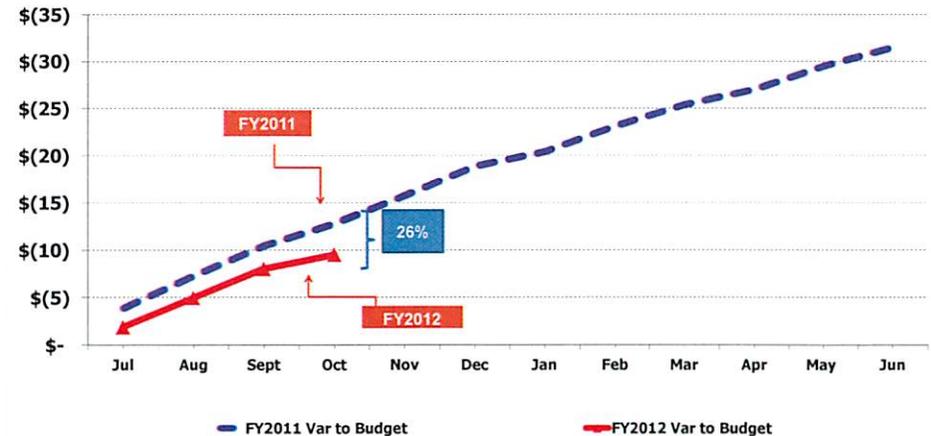
Operating Program Highlights

As of October YTD, Metro is over budget by \$2M, or 1%

Year-to-date expenditures - \$2 M favorable to budget

- Salary & wages \$4.5 M below budget
 - Overtime (\$9.6 M) and fringe benefits (\$7.2 M) over budget. There is an authority-wide issue in the allocation between operating and capital; Accounting is correcting.
 - Supply expenses (\$8.1 M over budget) mostly due to costs for car maintenance parts that are to be transferred to capital
- Service of \$12.3 M were due to savings in paratransit expenses and timing delays in some TIES contract utilization
- Propulsion/Diesel \$5.4 M and Utilities/Insurance/Other \$4.4 M below budget

YTD Overtime Variance to Budget (Cumulative, in \$ Millions)



Operating Budget Reprogramming Status

\$80,000 was reprogrammed within the Bus Operations Scheduling Office from non-operator wage budget to the Professional and Technical Support Services expense account for the purpose of providing Trapeze Schedule software training to enhance Bus' core scheduling capability.



Revenue and Ridership Report

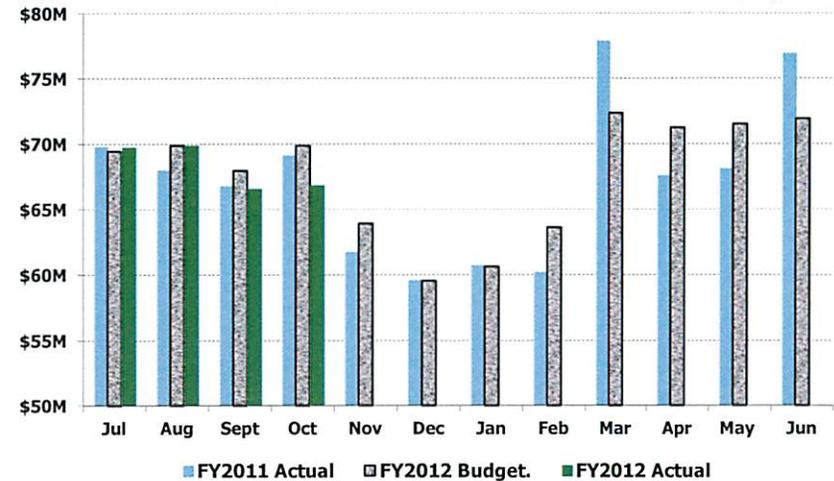
October FY2012

Ridership (trips in thousands)

| MTD | Oct. FY2011 | Oct FY2012 | | Variance | |
|---------------------|---------------|---------------|---------------|------------|-----------|
| | Actual | Actual | Budget | Prior Year | Budget |
| Metrorail | 18,900 | 18,483 | 19,153 | -2% | -3% |
| Metrobus | 10,603 | 11,217 | 10,368 | 6% | 8% |
| MetroAccess | 208 | 174 | 216 | -16% | -20% |
| System Total | 29,711 | 29,874 | 29,737 | 1% | 0% |

| YTD | FY2011 | FY2012 | | Variance | |
|---------------------|----------------|----------------|----------------|------------|-----------|
| | Actual | Actual | Budget | Prior Year | Budget |
| Metrorail | 75,427 | 74,385 | 76,116 | -1% | -2% |
| Metrobus | 42,265 | 44,695 | 41,989 | 6% | 6% |
| MetroAccess | 820 | 690 | 850 | -16% | -19% |
| System Total | 118,512 | 119,770 | 118,955 | 1% | 1% |

Revenue



Revenue and Ridership Highlights

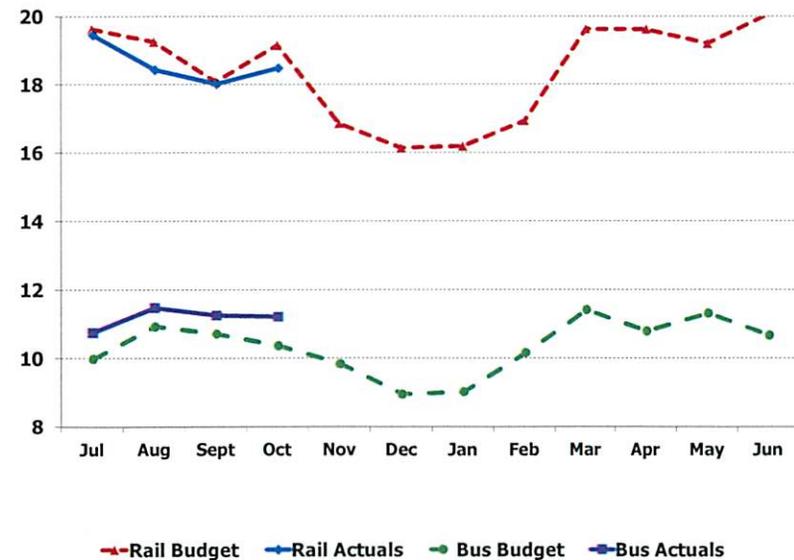
Year-to-date Revenue

- Year-to-date, Metro is (\$4 M) unfavorable to budget in revenue, for the month October revenue was equal with the prior month
- Rail passenger fares are (\$6.7 M) below budget, while Bus passenger revenue is \$2.4M favorable
- Total other revenue is \$0.5 M favorable to budget

Year-to-date Ridership

- Rail ridership in YTD as of October was 74 M trips, 1.7M trips or 2.3% below budget
 - Job growth in the DC region remains slow as reflected in the high unemployment rate
- Bus ridership YTD is 2.7 M or 6.4% above budget, and 2.4 M or 5.8% above prior year. Average weekday ridership 6% above prior year
- Parking utilization has increased over prior year by 2.3%. YTD utilization is below budget, but for the month of October it was 4% above budget

Monthly Ridership for Rail and Bus (in Millions)





Capital Program Report

October FY2012

Sources of Funds (\$ In Millions)

| | Expenditure-Based Year to Date Sources of Funds | | | |
|------------|---|---------|----------|------------|
| | Budget | Awarded | Received | To be Rec. |
| FY2011 CIP | \$844 | n/a | \$395 | \$449 |
| FY2012 CIP | \$889 | \$362 | \$298 | \$591 |

| | Obligation-Based to Date Sources of Funds | | | |
|-------------------|---|--------------|-------------|--------------|
| | Budget | Awarded | Received | To be Rec. |
| Safety & Security | \$57 | \$57 | \$0 | \$57 |
| ARRA | 56 | 56 | 31 | 24 |
| Reimbursable | 100 | 100 | 11 | 90 |
| Total | \$213 | \$213 | \$42 | \$171 |

Uses of Funds (\$ In Millions)

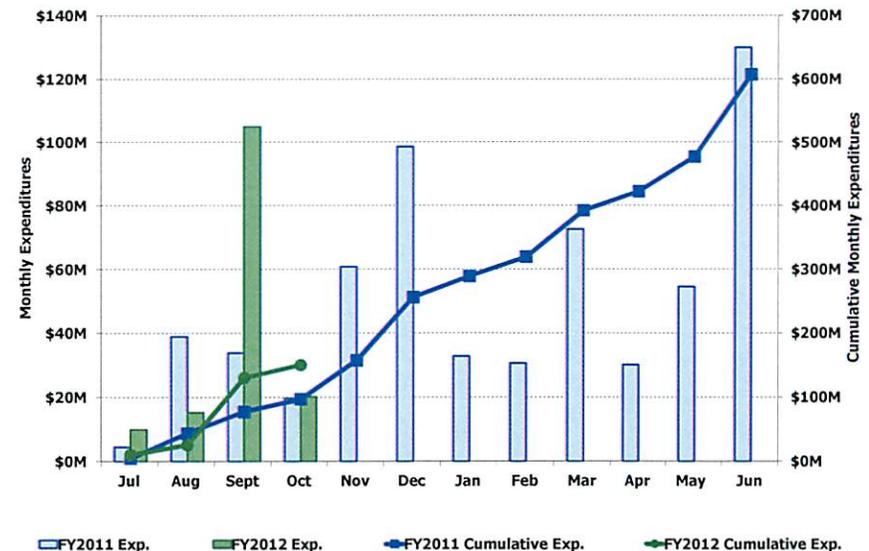
| | Expenditure-Based Year to Date Uses of Funds | | | | |
|------------|--|-----------|----------|-----------|-----------|
| | Budget | Obligated | Expended | Obl. Rate | Exp. Rate |
| FY2011 CIP | \$844 | \$469 | \$97 | 56% | 11% |
| FY2012 CIP | \$889 | \$523 | \$150 | 59% | 17% |

| | Obligation-Based to Date Uses of Funds | | | | |
|-------------------|--|--------------|-------------|------------|------------|
| | Budget | Obligated | Expended | Obl. Rate | Exp. Rate |
| Safety & Security | \$57 | \$3 | \$0 | 6% | 1% |
| ARRA | 56 | 53 | 30 | 95% | 54% |
| Reimbursable | 100 | 84 | 17 | 84% | 17% |
| Total | \$213 | \$140 | \$47 | 66% | 22% |

Capital Program Highlights

- The Capital Improvement Program (CIP) has expended \$53 million more in FY2012 as compared to the same period in FY2011.
- The FY2012 CIP had a six percent increase in obligation rate and 54% increase in expenditure rate when compared to the same period in FY2011.
- 63 of the 100 FY2012 replacement buses have been received of which 45 have been placed into service. In addition, all of the 52 FY2011 replacement buses have been received.
- Major repairs were completed on escalators at the Huntington, Minnesota Ave (2) and Potomac Ave (2) Metrorail stations.
- Rehabilitation/ modernizations were completed on escalators at the Judiciary Square Metrorail station.
- Various track rehabilitation work has been completed in FY2012 including, but not limited to the following: repair of 407 leaks, rehabilitation of 5,228 linear feet of grout pads, welding of 430 open joints, tamping of 19 miles of track, and replacement of 5,656 direct fixation fasteners.

CIP Expenditures (\$ In Millions)



Capital Budget Reprogramming Status

| FROM: | \$ in Millions | TO: | \$ in Millions |
|---|----------------|---|----------------|
| CIP0086 Southeastern Bus Garage Replacement | (\$8.00) | CIP0089 Track Fastners | \$1.50 |
| CIP0038 Bus Garage Capacity Enhancements | (1.50) | CIP0080 Jackson Graham Building Renovation | 3.59 |
| CIP0085 Royal Street Bus Garage Replacement | (4.16) | CIP0092 Ethernet Wiring for Rail Fare Machine | 1.76 |
| CIP0131 Credit Facility | (0.03) | CIP0140 Rail Mileage Based Asset Mgmt | 1.90 |
| CIP0136 FCC Radio Frequency Comm. | (0.71) | CIP0045 Data Centers and Infrastructure | 2.00 |
| | (\$14.40) | CIP0093 Integrating Regional SmarTrip System | 3.65 |
| | | | \$14.40 |



HR Vacancy Report

October FY2012

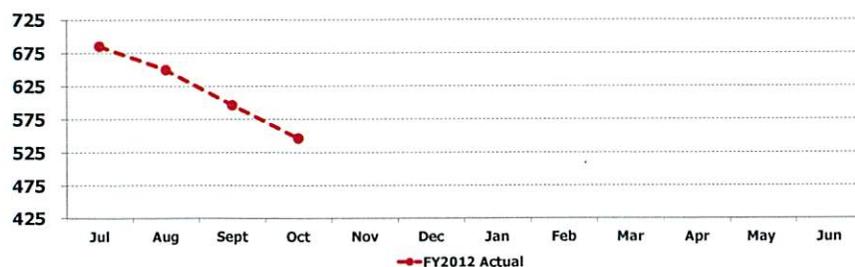
Operating Vacancies

| | Budget Approved Positions | Total Number Vacant | Vacancy Rate | Discussion |
|--|---------------------------|---------------------|--------------|--|
| Total Operating Positions | 10,226 | 546 | 5% | |
| <i>Departments with a large number of vacancies:</i> | | | | |
| Transit Infra. & Engineering Services | 3,115 | 170 | 5% | |
| Bus Services | 3,796 | 111 | 3% | Enhanced hiring program began mid-year FY2011 |
| Rail Transportation | 1,499 | 101 | 7% | Rail hiring process is dependent on progress in Bus filling positions. |
| Information Technology | 251 | 52 | 21% | |
| Metro Police Department | 635 | 20 | 3% | |

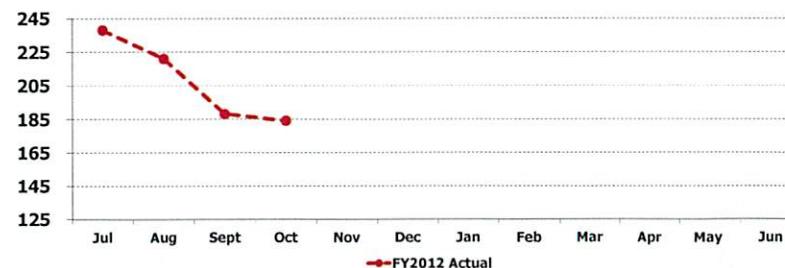
Capital Vacancies

| | Budget Approved Positions | Total Number Vacant | Vacancy Rate | Discussion |
|--|---------------------------|---------------------|--------------|--|
| Total Capital Positions | 1,019 | 184 | 18% | |
| <i>Departments with a large number of vacancies:</i> | | | | |
| Transit Infra. & Engineering Services | 767 | 120 | 16% | |
| Information Technology | 37 | 25 | 68% | Initiative to convert contract positions to full-time employees is ongoing |
| Procurement Capital Support | 24 | 24 | 100% | New section within the office of procurement in FY2012 |

Operating Vacancy Trend



Capital Vacancy Trend



Operating Financials

October-11
FISCAL YEAR 2012
Dollars in Millions

MONTHLY RESULTS:

YEAR-TO-DATE RESULTS:

| Prior Year Actual | Current Year | | | | | Prior Year Actual | Current Year | | | |
|------------------------------|----------------|----------------|----------------|------------|-------------------------|----------------------|----------------|----------------|----------------|------------|
| | Actual | Budget | Variance | | | | Actual | Budget | Variance | |
| REVENUES: | | | | | | | | | | |
| Passenger Revenue | | | | | | | | | | |
| \$49.6 | \$47.4 | \$50.4 | (\$3.0) | -6% | Metrorail | \$197.4 | \$193.8 | \$200.5 | (\$6.7) | -3% |
| 11.3 | 11.0 | 10.4 | 0.6 | 6% | Metrobus | 45.5 | 44.7 | 42.3 | 2.4 | 6% |
| 0.4 | 0.3 | 0.5 | (0.3) | -51% | MetroAccess | 1.6 | 2.6 | 2.2 | 0.4 | 20% |
| 3.6 | 3.8 | 3.8 | (0.0) | 0% | Parking | 14.1 | 15.0 | 15.8 | (0.7) | -5% |
| \$64.8 | \$62.5 | \$65.2 | (\$2.7) | -4% | subtotal | \$258.7 | \$256.1 | \$260.7 | (\$4.5) | -2% |
| Non-Passenger Revenue | | | | | | | | | | |
| \$0.7 | \$0.7 | \$0.7 | (\$0.1) | -7% | D.C. Schools | \$1.6 | \$2.0 | \$1.6 | \$0.4 | 24% |
| 0.7 | 1.1 | 1.5 | (0.4) | -29% | Advertising | 2.9 | 3.5 | 5.1 | (1.6) | -31% |
| 0.3 | 0.9 | 0.5 | 0.4 | 73% | Joint Dev/Property Rent | 2.0 | 2.4 | 2.2 | 0.3 | 14% |
| 1.4 | 1.1 | 1.2 | (0.1) | -7% | Fiber Optic | 4.8 | 5.0 | 4.9 | 0.0 | 1% |
| 1.2 | 0.5 | 0.6 | (0.1) | -14% | Other | 3.5 | 4.0 | 2.5 | 1.5 | 62% |
| 0.0 | 0.0 | 0.0 | (0.0) | -99% | Interest | 0.1 | 0.0 | 0.2 | (0.2) | -92% |
| 0.0 | 0.0 | 0.0 | 0.0 | | SE Closure | 0.0 | 0.0 | 0.0 | 0.0 | |
| 0.0 | 0.0 | 0.0 | 0.0 | | SCR Funding | 0.3 | 0.0 | 0.0 | 0.0 | |
| \$4.4 | \$4.4 | \$4.7 | (\$0.3) | -7% | subtotal | \$15.0 | \$16.9 | \$16.5 | \$0.5 | 3% |
| \$69.1 | \$66.9 | \$69.9 | (\$3.0) | -4% | TOTAL REVENUE | \$273.7 | \$273.1 | \$277.1 | (\$4.1) | -1% |
| EXPENSES: | | | | | | | | | | |
| \$50.4 | \$51.4 | \$53.5 | \$2.1 | 4% | Salary/Wages | \$207.6 | \$212.8 | \$217.4 | \$4.5 | 2% |
| \$6.6 | \$6.4 | \$4.9 | (\$1.5) | -30% | Overtime | \$29.3 | \$29.0 | \$19.4 | (\$9.6) | -49% |
| 24.5 | 27.1 | 25.8 | (1.3) | -5% | Fringe Benefits | 98.3 | 108.1 | 100.9 | (7.2) | -7% |
| 15.7 | 14.8 | 16.9 | 2.1 | 13% | Services | 59.7 | 55.9 | 68.2 | 12.3 | 18% |
| 6.8 | 7.1 | 4.4 | (2.7) | -60% | Supplies | 26.6 | 25.3 | 17.3 | (8.1) | -47% |
| 6.9 | 7.4 | 8.8 | 1.3 | 15% | Power/Diesel/CNG | 29.6 | 31.2 | 36.7 | 5.4 | 15% |
| 2.8 | 2.6 | 3.6 | 1.0 | 27% | Utilities | 11.0 | 10.7 | 15.0 | 4.3 | 29% |
| 3.7 | 3.0 | 2.9 | (0.1) | -4% | Insurance/Other | 14.0 | 11.4 | 11.5 | 0.1 | 1% |
| \$117.4 | \$119.8 | \$120.8 | \$1.0 | 1% | TOTAL EXPENSE | \$476.0 | \$484.5 | \$486.4 | \$2.0 | 0% |
| \$48.3 | \$53.0 | \$50.9 | (\$2.0) | -4% | SUBSIDY | \$202.4 | \$211.4 | \$209.3 | (\$2.1) | -1% |

Favorable/(Unfavorable)

Favorable/(Unfavorable)

59%

56%

58%

COST RECOVERY RATIO

57%

56%

57%